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CANADIAN
COMMERCIAL
CORPORATION



ANNUAL
REPORT

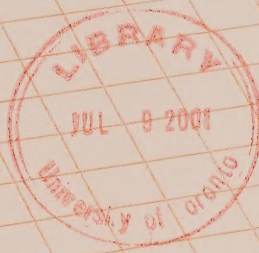
1997-98

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98

97

A year of export
Successes!



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(April 1, 1997 to March 31, 1998)

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Introduction

Our impact on Canadian exporters



CC helped more clients export more products into more markets last year than any other year in our history. We achieved record volume increases in our main business lines and we did it by focusing on what we do best: providing exporters with an international contracting service which assists them at all phases of developing proposals, bidding, contract negotiation, contract administration and payment. CCC fills a unique niche in the Canadian trade community and our customers recognize this. They like the hands-on approach and special attention they get from our team. Our emphasis on service has earned from our clients their highest satisfaction ratings among all the Canadian trade agencies they use. In an increasingly competitive global environment, our exporters benefit from the access to specialized markets we provide and our practical, value-added skills which improve the bottom line on their export sales. As a federal agency, CCC plays a key role in the Government of Canada's trade plan. Exporters and their customers abroad know that with our support, they have the power of Canada behind their deal. And for Canadian business, that equals sales.

*record
volumes*



Sergio Marchi

Hon. Sergio Marchi, P.C., M.P.
Minister for International Trade
during the Canadian Business
Women's International Mission
to Washington D.C.

**A MESSAGE FROM
THE MINISTER**

"The Canadian Commercial Corporation
provides specialized contracting services which are
highly valued by its many clients, especially small
and medium-sized exporters. These services
enable Canadian exporters to win sales in difficult
markets. In many instances these export contracts
would not be won without the high quality, value-
added expertise of CCC. Working in tandem with
CCC, Canadian exporters are seizing international
opportunities, which in turn create jobs and growth
here at home. It is the type of partnership activity
of which I am very proud. I am committed to
ensuring that CCC retains and even strengthens its
ability to support Canadian exporters."



ROLE AND OBJECTIVES OF THE CORPORATION

Canadian Commercial Corporation (CCC) is a Crown Corporation, wholly owned by the Government of Canada, with the broad legislated mandate of assisting in the development of trade between Canada and other nations. For over 52 years, CCC has been an effective trade tool for Canada, helping exporters win and complete sales in difficult markets, primarily those of foreign governments and international organizations.

CCC provides Canadian exporters with a wide range of contracting services which enhance their access to market opportunities. CCC's involvement provides a foreign buyer with a unique, government-backed guarantee of contract completion. This gives an exporter an exceptional marketing advantage, improves the contract terms on which it does business, provides access to financing, and reduces exporter risks.

CCC is an integral part of the Government of Canada's trade team. Its services complement the export financing and insuring services of the Export Development Corporation (EDC) as well as the market intelligence and promotional activities of the Department of Foreign Affairs and International Trade (DFAIT) and other federal departments and agencies.

As the export contracting arm of the Government of Canada, CCC:

- provides an enhanced and special access for Canadian exporters to the U.S. defence and space markets through formal agreements signed by the Government of Canada;
- acts as prime contractor in the sale of Canadian goods and services at the request of Canadian exporters and their customers abroad;
- identifies business opportunities, particularly with the U.S. federal government, and transmits them to those Canadian firms registered with CCC that are capable of meeting those requirements;
- facilitates access by small and medium-sized enterprises (SMEs) to commercial sources of pre-shipment financing on export sales through the Progress Payment Program (PPP);
- provides export contract risk analysis and management services when requested;
- assists in arbitration of contracts and provides assistance in resolving contract disputes.

For CCC to participate in a sale, it assesses the risks posed by the buyer, the exporter, and the proposed terms of the deal itself. CCC's record in that regard speaks for itself: **contracts have been managed so prudently that additional contract costs have been kept at less than one tenth of one per cent of the Corporation's business volume.***

It is this record which has led foreign buyers to make CCC their partner of choice when purchasing goods and services from Canadian sources.

CCC provides invaluable assistance to those companies entering a market for the first time. For SMEs, CCC's ability to heighten their credibility increases their competitiveness in markets where they are less known than the established competition. In the past year, over 75 per cent of the companies using CCC's services had less than \$25 million in annual sales.

* Business volume signifies dollar value of contracts and amendments signed during 1997/98.

CCC is an integral part of the Government of Canada's trade issues.

CCC'S CORPORATE STRATEGY

Since 1995, CCC has aggressively pursued a program to increase its contribution to the government's trade agenda. That program is based on:

- **Awareness** – making CCC's services known to exporters and those in the business of advising them;
- **Business growth** – building on CCC's networks with exporters and foreign buyers to proactively grow its business;
- **New and improved services** – to develop, enhance and provide new services which put CCC's unique capabilities to work to meet changing exporter needs;
- **Capacity to respond** – to ensure CCC can meet increased demand for its services through reducing costs, efficiencies, and the implementation of cost recovery where possible.

These four points formed a solid foundation for the Corporation's 1997-98 action plan. All of its business results contain a measure of each element. Whether focusing on and developing growth in those markets which it knows best, or carefully introducing its policy on cost recovery to most of the Corporation's optional services, all major CCC initiatives were tied to these objectives.

This aggressive plan represents a major commitment of time and resources to systems development within CCC, the establishment of performance indicators and measurements, and effective human resource management to ensure that the Corporation is truly client-driven.

This work will enable the Corporation to measure even more effectively its performance against objectives in the years ahead.

President's Message

In 1997-98, CCC and Canadian exporters rewrote the Corporation's record book.

An historic total of 1,759 Canadian companies accessed CCC's services during the year. That represented a 34 per cent increase from the year before, and was well beyond the Corporation's target of 1,430. Additionally, over 75 per cent of these companies were small or medium-sized (doing less than \$25 million in annual business).

Out of all those exporters, 275 signed new contracts or amendments with foreign buyers through the Corporation. That activity enabled the Corporation to reach its highest total business volume ever: \$1.020 billion.

In working with Canadian exporters, CCC succeeded in completing sales in a record 48 countries.

CCC's special role in defence and aerospace exports to the United States continues to grow, accounting for 65 per cent of the value of orders received by CCC this year. That role is mandated by the Canada/U.S. Defence Production Sharing Arrangement (DPSA). This collection of over 175 agreements provides enhanced Canadian access to U.S. federal opportunities in these fields through CCC. That access is better than that available either under the FTA or NAFTA.

The challenge for CCC is to preserve and enhance this window of access. The Corporation continues to ensure that Canadian companies keep pace with changing procurement practices, and changing technologies in the U.S. purchasing system. CCC is working to bring more U.S. opportunities to more Canadian businesses through its Bid Matching Service. It is committed to more efficient use of technology to enable on-line registration and updating of business profiles, which will enable CCC to more effectively match Canadian capabilities to U.S. requirements.

Again this year, in its annual client satisfaction survey, CCC's clients gave the Corporation their highest ratings for overall value among the sources of trade assistance they use.

Similarly, CCC has greatly increased its international work. This has attracted many new exporters as well as encouraged a large number of existing clients to expand from the U.S. market to overseas. Together, CCC and these exporters set an impressive total business volume of almost \$300 million, representing a record number of completed sales in a record number of markets. Most of these firms are SMEs.

Again this year, in its annual client satisfaction survey, CCC's clients gave the Corporation their highest ratings for overall value among the sources of trade assistance they use.

The excellence of CCC's results is not the product of luck. It reflects the ever growing number of Canadian exporters that have discovered CCC is a valuable, effective partner of choice in landing business in difficult markets.

Whether large, medium or small, Canadian businesses are finding that CCC is the team member they need to land a sale. The story of each Canadian business using CCC is unique. So, too, is CCC's role in those stories. CCC can help eliminate requirements for performance bonds, enabling a Quebec family business of craftsmen to win a contract to build and refurbish the Chapel Royal pipe organ of the Tower of London. CCC can work over three years with a cutting-edge B.C. manufacturer of deep-sea diving suits helping them to first crack the U.S. Navy market, then transform it into a \$20 million cornerstone of their business. And it can provide the knowledge and the confidence a small Ontario high tech firm needed to first win, and then negotiate better payment terms on its first ever export sale of a patient administration system to Jamaica's Ministry of Health.

In this annual report, you will learn more about those companies and others where CCC made the difference in growing their export business. Its capabilities are specialized and unique to government, and are customized to the particular commercial circumstances and needs of each exporter it serves.

For those of us working in the trade environment within government, CCC's achievements underscore what we have known for a while: CCC is one of the best tools government has for reaching its trade objectives of increasing exports, and the number of companies exporting, particularly among small and medium-sized enterprises.

In its third year of operation, the Corporation's Progress Payment Program (PPP), offered in conjunction with Canadian financial institutions, has continued to provide many SMEs with the type of hands-on, practical contracting assistance they need to be able to export for the first time. The PPP matches the Corporation's contract management skills with the commercial lending capabilities of banks to provide SMEs with access to additional sources of financing to cover their pre-shipment costs on export sales. Now operating in partnership with 11 financial institutions, the PPP has increased CCC's profile with those partners, and has stimulated a new demand on their part for CCC's contract management experience on transactions outside of the PPP itself, but where a financial institution seeks a specialized contracting skill set to assist in monitoring transactions posing special risks. In those instances, CCC's participation is facilitating business which probably would not otherwise occur.


I congratulate the employees of CCC on an exceptional year. The results they have achieved underscore their commitment to clients, and to providing quality service. CCC has established new thresholds for its performance while strictly adhering to the prudent risk management practices expected by the Government and public of Canada. It is an achievement of which we are all justifiably proud.



Robert G. Wright
President

June 1998

The excellence
of CCC's results
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It reflects the ever growing
number of Canadian exporters
that have discovered CCC is a
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choice in landing business in
difficult markets.



"The Canadian Commercial Corporation has been a great partner for us in the past years. Our company has grown and our sales have increased dramatically because of CCC. I know we couldn't have done it without their assistance."

Michael Cannone

Matilda Cannone

Michael and Matilda Cannone
President and Secretary/Treasurer, Global Precast
Maple, Ontario

Global Precast is a family-run business that's growing by leaps and bounds. Working with CCC, the exporter from Maple, Ontario has found a partner who has strengthened their status as a responsible supplier, helped double their sales and as a result, quadruple their number of employees. The husband and wife team approached CCC to help them negotiate complex contracts and with CCC's support, Global has strengthened its status as a supplier and provided the needed credibility to make contracts run quickly and smoothly. Now Global Precast can secure contracts as solid as the concrete panels they supply.

The World Environment

The external factors which affected the Corporation's business results last year include:

- Canada's continuing healthy economic performance and strength of the U.S. dollar against the Canadian dollar, which has allowed the surge in exports to the U.S. to continue, and increased the number of Canadian firms interested in cross-border opportunities;
- CCC's largest customer, the U.S. Department of Defense continuing its move toward an entirely new procurement system, presenting Canadian companies interested in that market with both a strategic threat and opportunity;
- The monetary crisis in east Asia which has led to a major fall in those currencies, and subsequent cutbacks and reordering of priorities on government spending, decreasing CCC exporter activity in the region, particularly the countries of South East Asia;
- Latin American economies moving toward more open, market-based systems which offer good opportunities for aggressive, specialized Canadian exporters, in markets where the CCC mechanism has stimulated buyer interest — in 1997-98, four of CCC's top ten markets were in Latin America;
- Public sector buyers sourcing globally to obtain the best and most cost-effective products and services to meet their needs, a development that is facilitated by international trade liberalization but which is driven by the need to build efficient national infrastructures while controlling public spending levels;
- Exporters and their customers abroad, served by modern communications and global banking services which provide them with better information on each other. However, communications and banking services do not protect foreign buyers against technical or managerial performance risk, which are increasingly the preoccupation of public sector buyers with technologically complex and time-sensitive requirements.

CCC's experience and skills position it to maximize its contribution to those companies which can keep pace with these trends. For those exporters that can tailor solutions to the specialized needs of public sector buyers, new markets are opening. At the same time, the more unique and specialized the solution, the greater the buyer's concerns about the risks of contract performance, and hence, the greater likelihood that CCC will be needed.

KEEPING THE WINDOW OPEN TO THE U.S.

In 1997-98, CCC received orders valued at \$663 million from its largest customers, the U.S. Department of Defense and the National Aeronautic and Space Administration (NASA). Most of these contracts were for the provision of goods and services of civilian application.

Since 1956, CCC has facilitated sales into these special markets under the terms of the Canada/U.S. Defence Production Sharing Arrangement (DPSA) and Defence Development Sharing Arrangement (DDSA), which facilitates research and development contracts sponsored by the two governments.

Sales by Product Category

April 1997 – March 1998

<i>Vehicle and Rail Equipment</i>	39.5%
<i>Aerospace</i>	29.1%
<i>Services</i>	7.3%
<i>Ships, Small Crafts and Marine Equipment</i>	5.7%
<i>Industrial, Construction</i>	5.1%
<i>Electrical</i>	4.6%
<i>Food, Livestock and Clothing</i>	1.4%
<i>Fuel and Lubricants</i>	1.1%
<i>Hospital, Laboratory and Health Equipment</i>	1.0%
<i>Armaments</i>	0.8%
<i>Training Aids</i>	0.6%
<i>Others</i>	3.8%

Beginning in 1993, the U.S. government initiated a program of acquisition reform that greatly simplifies its purchasing processes. Canadian exporters can greatly benefit from these changes and indeed capture a larger share of U.S. business opportunities but they can only do so if they keep in step with the pace of U.S. reforms. That is why CCC has given itself a primary responsibility and objective to ensure that it plays a key role in keeping Canadian exporters informed of changes in the U.S. system and for ensuring that the DPSA and DDSA continue to work for our U.S. customers.

To keep the enhanced window of access which Canadian companies enjoy in these specialized U.S. markets, CCC has two commitments: to continue to provide our American customers with the quality contracting and contract management they expect, and to keep pace with U.S. acquisition reform to maintain Canadian access to the U.S. market.

Ultimately Canadian companies will benefit from the simplification of procurement practices. The challenge is to ensure that Canadians remain well-positioned as the new rules take effect.

In 1997-98, CCC continued its work to respond to developments in three key areas:

- Central Contractor Registry
- Electronic Data Interchange (EDI)
- Facilitating purchases by U.S. prime contractors on defence requirements

...CCC

has given
itself a primary
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and objective to ensure that it plays a
key role in keeping Canadian exporters
informed of changes in the U.S. system...



"When the U.S. Navy put the pressure on, CCC helped us not to sweat the details. CCC gave us the comfort we needed to compete in the international marketplace."

*Terry Thompson,
Military Sales Specialist
Ceanic Hard Suits Inc.
Vancouver, British Columbia*

Perseverance equals opportunity for Vancouver's **Ceanic Hard Suits Inc.**, a manufacturer of sophisticated one atmosphere deep-sea diving equipment. CCC helped Ceanic Hard Suits Inc. crack the U.S. Navy market five years ago. Now, in partnership with CCC they have completed more than \$20 million in sales. Today the U.S. Navy is a cornerstone of their business, and CCC is a major part of Ceanic Hard Suits' exporting accomplishments.

The U.S. has decided to eliminate multiple registrations with all buying agencies and replace them with a single, computerized central registry. In 1997, CCC signed a Memorandum of Understanding with the U.S. to facilitate registration to ensure that all Canadian firms registered under the old system retain their standing with the new one. Since then, with CCC's assistance, Canadians have been registered at a rate faster than that of American companies in their own market.

EDI is becoming the preferred U.S. means of interacting with suppliers. CCC has taken a leadership role to ensure that Canadian companies can deal with American buyers through CCC. This means that while the U.S. EDI implementation schedule fluctuates, Canadian companies can respond to all American requirements, stipulating EDI capability, by using CCC. The Corporation is already administering some U.S. contracts through EDI, processing between 250 and 275 transactions per month.

The U.S. is also increasingly delegating responsibility for acquisitions to private sector firms acting as prime contractors on its defence requirements. Many of these firms are unaware that Canadian sources of supply can be considered, or that the processes of the DPSA remain open to them. Working with its clients, CCC has established a task force to increase that awareness and to examine how the benefits of CCC's services can be effectively marketed to American prime contractors where that participation is to the advantage of Canadian exporters.

Canadian companies are increasingly interested in business opportunities with U.S. federal civilian agencies, as well as state and municipal governments. Last year, CCC completed over \$80 million in business with non-defence or NASA customers, half of that with private sector buyers.

MATCHING OPPORTUNITIES TO CANADIAN CAPABILITIES

CCC makes Canadian companies aware of U.S. opportunities. Its primary vehicle is through an electronic version of the U.S. *Commerce Business Daily*. This is vetted, and all requirements which are open to Canadian firms are posted on the Canadian MERX system. Additionally, they are posted on CCC's website with a searching mechanism to enable exporters to key in on the requirements that interest them most.

Because it registers Canadian companies to do business in the U.S. based on the company profiles it receives, CCC operates a sourcing system to directly match U.S. opportunities to capable Canadian firms.

In 1997-98, this bid matching produced the following results:

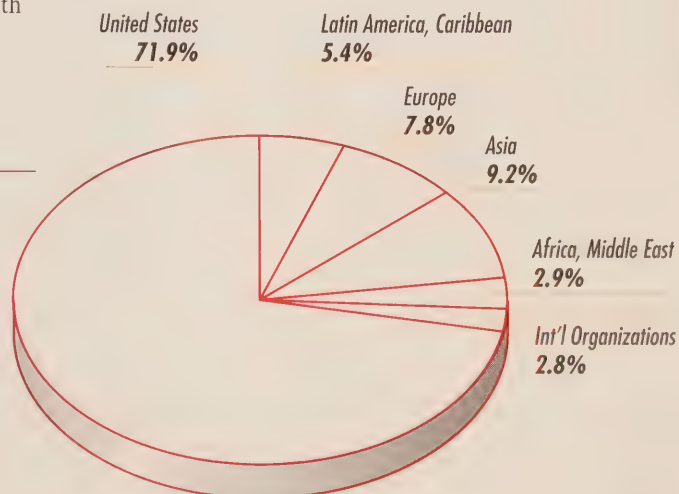
1,312 Canadian companies received notification of 15,004 U.S. bid opportunities;

that activity resulted in 663 requests from companies, soliciting bids valued at \$766 million;

- those bids generated contracts valued at \$85 million.

CCC's work at bid matching has significantly increased the pipeline of proposals to the U.S. government market. In the year ahead CCC will work to increase the conversion ratio of bids to signed contracts, and work with its partners in the Department of Foreign Affairs and International Trade to determine whether the same skills can be put to work on opportunities with the World Bank and other International Financial Institutions (IFIs).

CCC Business Volume
by Geographic Region



FINDING NEW MARKETS THROUGH CCC

The interest of public sector buyers in sourcing globally to obtain the best and most cost-effective solutions is reflected in many of CCC's transactions this year. In its overseas work, CCC custom designs its response to help bring buyer and exporter together.

The knowledge and expertise of CCC's contracting officers provide exporters with practical, hands-on assistance which is particularly valuable to smaller firms, new exporters and those diversifying their markets.

As a government agency assisting in the completion of export sales to the governments of other nations, CCC's skills are unique. While these particular markets are more open than ever, they can still be difficult and intimidating for many exporters. CCC provides, in one location, the contracting expertise and hands-on practical advice and experience exporters need to succeed.

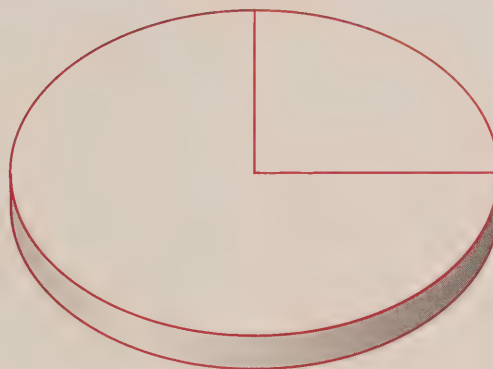
That unique and innovative CCC approach to concluding export transactions is reflected in the variety of companies, products and buyers involved with CCC internationally.

Many of those companies, particularly SMEs, who experience success with CCC once, strategically position themselves with CCC to market in other areas. Last year, *International Code Services* (Aurora, Ontario) successfully negotiated three contracts valued at \$9 million in three European countries for the provision of training systems for firefighters. For six years, *Orgues Létourneau* (Saint-Hyacinthe, Quebec) has used CCC to avoid costly performance bonds in its business of custom building or refurbishing pipe organs. That track record continued with awards this year for St. Mary's Cathedral in Australia, and the Royal Chapel of the Tower of London. *Regor* (Montreal, Quebec) uses CCC in Cuba to acquire better payment terms. This year, it shipped 100 used buses to that country bringing its three year total to 500.

Transactions with SME's

SME's
75.0%

Large enterprises
25.0%



As a **government agency**

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the contracting **expertise** and hands-on practical **advice** and

experience exporters need to succeed.

CCC's hands-on involvement helped **Orgues Létourneau** nail a prestigious contract to build a new pipe organ for the Tower of London. CCC hammered out the details so Fernand Létourneau could help make music sound in the millennium-old tower for years to come. CCC's careful attention matched with Fernand Létourneau's fine craftsmanship and superior reputation made making music in London an easy note to reach.

"I simply cannot imagine doing this volume and quality of business without CCC. They helped us beat established competitors to win this contract. Now when people walk through the Tower of London they will be hearing our organ — that's music to my ears."

Fernand Létourneau

Fernand Létourneau,
President, Orgues Létourneau
Saint-Hyacinthe, Quebec



CCC has traditionally received its highest client satisfaction scores from small business. For the smaller, new exporter CCC offers an array of experience and skills which are simply unavailable to them from any other single source at an affordable price.

Other companies use CCC to secure better contract terms than they could on their own. Long-time client *Pro-Eco Limited* (Oakville, Ontario) successfully completed a \$7 million sale to China of industrial equipment for steel processing through CCC to eliminate requirements for performance bonds, while a first-time CCC client, *Unitron Industries Limited* (Kitchener, Ontario) used CCC to eliminate bonding requirements on a sale of hearing equipment to the National Rehabilitation Board. *Delcan International Corporation* (North York, Ontario) used CCC's contracting services to finalize the sale on a sole-source basis of an \$8 million traffic management system for the City of Caracas, Venezuela. *AGRA International Limited* (Montreal, Quebec) used the same sole-sourcing capability to complete feasibility studies on reservoir development and reforestation for Colombian agencies.

CCC has traditionally received its highest client satisfaction scores from small business. For the smaller, new exporter CCC offers an array of experience and skills which are simply unavailable to them from any other single source at an affordable price. Among first time exporters this year was *Heron Technology* (Markham, Ontario) which

completed its first-ever export sale of a hospital administration system for the Jamaican Ministry of Health.

Other first-time users of the Corporation were *Aklak Inc.* (Inuvik, NWT), *Canadian Helicopters Limited* (Edmonton, Alberta), *Dependable Turbines Ltd.* (Port Moody, B.C.), *Gasguard Safety Systems Inc.* (Coquitlam, B.C.), *Pacific Bio Energy Corporation* (Delta, B.C.), *Import-Export Alouache* (Montreal, Quebec) and *Lalonde Electronique Inc.* (Hull, Quebec).

For future growth, the Canadian defence industry has to look to exports and diversify into commercial markets. For many, the first move will be into the U.S. market. Ultimately, their long-term success will require global business plans, and will depend on their ability to access and properly use every competitive lever open to them.

CCC is particularly well placed to assist this industry in exporting. The customized nature of CCC's services and its unique experience is already helping Canadian companies now active in the U.S. to export globally. One out of five companies signing contracts in the U.S. last year also used CCC to contract successfully in another country. CCC's goal is to increase that rate to 50 per cent over the next five years.

AEROBIC
Begins
Here.

Aerobic Technologies

pushed ahead with CCC this year to secure a contract to provide fitness equipment to BusyBody Fitness Warehouse, the largest fitness retailer in the U.S. Over the past four years, CCC has helped this Sainte Foy, Quebec exporter step up production, run contracts more smoothly and work out production flaws to become a self-sufficient supplier. Aerobic Technologies shaped up into a successful exporting firm with CCC by its side.

A NEW
FACE

Nat Findlay
President, Aerobic Technologies
Sainte-Foy, Quebec

"CCC helped
us grow from a small
company looking for help
with our export sales to a
self-sufficient firm with
international contracts.
CCC really opened up
some doors for us. Now
we are expanding our
products and our export
market"

THE PPP: WORKING CAPITAL FOR SMALL EXPORTERS

This year marks the third full year of operation for the Progress Payment Program (PPP). It generated a business volume of \$33 million, representing 58 contracts and amendments. While the volume was half of that experienced in 1996-97, the number of applications and transactions processed remained the same, indicating that the program is increasingly dedicated to smaller companies, bringing in smaller requests for credit, and many of them exporting for the first time.

The program helps SMEs to access new sources of pre-shipment financing by combining CCC's expertise in international project assessment and contract management with the commercial lending capabilities of Canada's financial institutions. The program targets those SMEs that have export business, but are unable to negotiate progress payments from their buyers, and do not have a domestic credit facility sufficient to support their exporting requirements.

By using the PPP more than 120 companies have accessed capital from banks to complete \$150 million in sales since 1995. Most of those sales would not have been financed, and would likely not have been completed without the program.

The PPP operates in conjunction with The Bank of Montreal, the Bank of Nova Scotia, the Caisse centrale Desjardins, the Canadian Imperial Bank of Commerce, the Hongkong Bank of Canada, the National Bank of Canada, the Royal Bank of Canada, the Société Générale, Toronto Dominion Bank, the Banque nationale de Paris, and the So-Use Credit Union.

The number of participating financial institutions has made the program truly national in scope, and sales have been completed to over 30 countries. Heading into 1998-99, there is an existing inventory of 20 potential cases either approved by CCC or under review, valued at \$35 million. The Corporation fully expects that the coming year will see the program achieve \$50 - \$75 million in business.

RISK MANAGEMENT

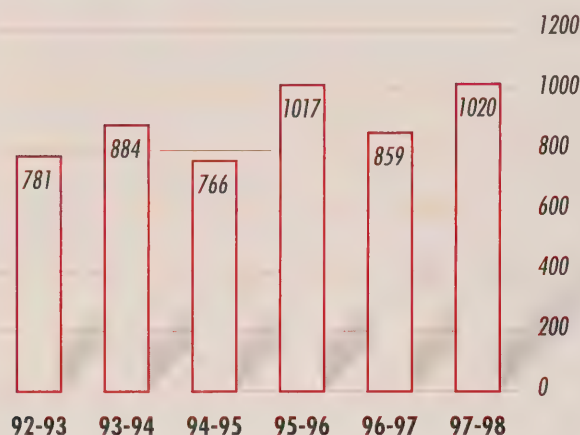
CCC is not a financial or insurance institution. It is involved in facilitating and structuring sales, and has developed a broad range of international contracting skills as a result. Unlike a financial institution which manages financial or buyer risk on a portfolio basis, CCC manages performance risk on a project-by-project basis. As a result of CCC's experience and practices, it prudently manages its contracts keeping additional contract costs at less than one tenth of one per cent of its business volumes. For public sector buyers whose programs are time sensitive and who are concerned about *performance risks*, CCC's track record instantly raises the credibility of an exporter in the eyes of the buyer. This often leads to significantly more flexible and beneficial contract terms for the exporter.

During 1996-97, in response to the demands of its changing business environment and recommendations from its internal auditors and the Auditor General, CCC conducted a thorough review of its risk management framework. In 1997-98, the Corporation completed that work, identifying and filling gaps where they existed to ensure that policies, processes and controls were uniformly applied across the Corporation. The new risk assessment framework clearly defines the risk exposure levels which CCC will be prepared to accept in order to grow its business, while keeping any potential additional contract losses well within pre-established ranges acceptable to the Government of Canada.

CCC's foreign buyers value the Corporation's impressive record in maintaining minimal contract losses. That record results from effective pre-contract reviews of an exporter's technical, managerial and financial capabilities as they relate to the specific risks of the contract under review. At the same time, CCC's diligence in post-contract administration also mitigates losses should they occur.

CCC's foreign buyers
value the Corporation's
impressive record in
maintaining minimal
contract losses.

Value of Orders Received
In Millions of Dollars



CCC AND COST RECOVERY

In setting its business objectives, the Corporation could only anticipate static Parliamentary appropriations. At the same time, SMEs, which often place a greater demand on time and resources in their sales than more experienced exporters, were using CCC's services in ever increasing numbers. The Corporation's ability to meet increasing demand for its services, would depend on its ability to provide value for which companies would be increasingly willing to pay. The successful implementation of a cost recovery policy was a key priority. After client consultations, a policy was introduced which applied to all areas where the use of CCC was wholly optional to the exporter and foreign buyer. The policy also acknowledged the particular problems of SMEs, particularly the limited sources of funds available to them for business development. Favourable terms were provided to ensure that there was no disincentive to the use of CCC by first-time SME users.


CCC AND TEAM CANADA

The Government's "Team Canada" approach has been extremely helpful to smaller agencies like CCC. The government's focus on exports to create jobs has increased the range and number of trade-related activities, and established much stronger linkages between all trade-related departments and agencies. CCC actively participates in the Capital Projects Advisory Team designed to increase Canadian participation in IFI-sponsored projects, those national sectoral teams where CCC has a traditional or growing role to play, and all regional teams.

The Corporation increased its participation in trade missions, and established an outreach program to U.S. buying agencies which will form the basis of a program whereby Canadian sources of supply can be directly introduced to potential American buyers.

CCC's surveys indicate that those exporters not currently using CCC are likely to contact other public sector agencies for the type of help CCC can give them. This underscores the importance of CCC's relationships with other Team Canada members. In the past year the Corporation has formalized referral processes to ease cross-referral of exporters from the Department of Foreign Affairs and International Trade and the Export Development Corporation.

The
Corporation
increased its
participation in
trade missions, and established an
outreach program to U.S. buying agencies...



"We were excited about the prospect of selling in a foreign market, but we had absolutely no experience. CCC's involvement provided just the sort of credibility the firm needed."

Two years ago, **Heron Technology Corp.** had never sold its products outside Ontario. Today, the Markham, Ontario software developer has a successful installation of its Patient Administration System software up and running in five hospitals in Jamaica. CCC helped assemble the contract, advise the client on terms of reimbursement and arrange for progress payments. Now, Heron Technology Corp. has the recognition it needs to conclude sales around the world.



*Ron Hebert,
President of Heron Technology Corp.
Markham, Ontario*

CCC's

Performance

in Review

BUSINESS OBJECTIVES

In its 1997-98 Corporate Plan, CCC set four business objectives.

Clients served

1996-97 actual	1997-98 target	1997-98 actual	1998-99 target
1,310	1,430	1,759	1,950

It wanted to increase the number of companies actively working with CCC on export opportunities to 1,430, an increase of 10 per cent. It ended the year with a total of 1,759, an increase of 34 per cent.

Companies signing contracts

1996-97 actual	1997-98 target	1997-98 actual	1998-99 target
288	340	275	350

CCC wanted 340 of the companies with which it was working to sign contracts or amendments through the Corporation. Its final total of 275 is lower than the total of 1996-97 because the Corporation has changed the way it counts exporters in those instances where there have been mergers or changes in a company's status as a legal entity. It is difficult for CCC to predict the number of exporters actually signing a contract in any given fiscal year given the number of factors which can intervene to determine when any contract is actually signed and brought into effect. The challenge for the Corporation remains to increase the success ratios of its exporters in completing sales through CCC, and to improve its follow-up on those opportunities it has sourced to Canadian firms. To this end, there were a number of positive signs among those companies that did complete new business through CCC

in 1997-98: some 25 per cent were new to the Corporation, and 20 per cent were successfully using CCC in both the U.S. and international markets.

Business volumes

1996-97 actual	1997-98 target	1997-98 actual	1998-99 target
\$859 million	\$1-1.5 billion	\$1.020 billion	\$1-1.2 billion

It wanted to increase the number of projects, both large and small, on which it was working to enable the Corporation to achieve a business volume of between \$1 and \$1.5 billion in the value of orders received. It achieved its highest volume ever — \$1.020 billion — and did so despite the postponement of a number of projects affected by the financial difficulties of a number of Asian countries. And that total reflected not one or two large transactions, but significant growth in the number of small and medium transactions concluded in markets throughout the world. The 1998-99 target of \$1 - 1.2 billion reflects the Corporation's greater emphasis on developing a larger number of small and medium-sized contracts rather than a very limited number of large projects. It also reflects changing priorities and time lines for projects in a number of key CCC markets.

Cost recovery targets

1996-97 actual	1997-98 target	1997-98 actual	1998-99 target
\$1.2 million	\$2.0 million	\$1.8 million	\$2.1 million

In its first year, this policy generated an additional \$1.2 million in revenue. This almost doubled in 1997-98. More importantly, CCC's 1997 client satisfaction survey showed that 81 per cent of CCC users felt that implementation of a cost recovery regime on the Corporation's optional services had not affected their use of those services.

For exporters, a key value of CCC is its prompt payment to suppliers as funds are received from foreign customers according to the terms of the contract.

OTHER PERFORMANCE INDICATORS

Additional contract costs as a percentage of business volumes

CCC Standard	1997-98 Actual
0.2 %	0.1%

CCC's risk standard continues to be keeping additional contract costs at less than 0.2 per cent of business volumes. In practice, CCC's limited financial resources have forced the Corporation to keep these additional costs at less than 0.1 per cent of business volumes. Maintaining that standard requires significant labour, resources, time for each individual contract before it is signed, monitoring and administering and, occasionally, assisting in mediating or restructuring when difficulties arise in performance of the contract.

Provision for doubtful accounts compared to accounts receivable

CCC Standard	1997-98 actual	1998-99 target
1.3%	0%	1.3%

The Corporation has set a standard for doubtful accounts of 1.3 per cent of accounts receivable from foreign customers. This is a key standard for CCC's exporters. Client surveys have indicated that exporters most value CCC's participation in a contract because it can achieve more advantageous payment terms and reduce the risks of non-payment by the buyer. CCC's performance reflects its efforts in assessing a buyer's ability to pay, and its successful efforts in collecting accounts.

Time required to make payment to exporters

CCC Standard	1997-98 actual	1998-99 target
30 days	23 days	30 days

For exporters, a key value of CCC is its prompt payment to suppliers as funds are received from foreign customers according to the terms of the contract. CCC has traditionally operated on the standard of paying exporters within 30 days of submission of a valid invoice, and has bettered that standard through the provision of payments within 15 days of invoice in the case of smaller firms.

Total cost of operations compared to business volumes

1997-98 target	1997-98 actual	1998-99 target
1.2 percent	1.4 percent	1.3 percent

As a Crown Corporation largely dependent on parliamentary appropriations to fund its services, CCC sets targets every year on its targeted total cost of operations. In 1997-98, that target was to keep the costs of operations at 1.2 per cent of business volumes. CCC established that target despite anticipated significant increases in demand for its services, and growth in the number of clients it serves.

In 1997-98 the Corporation was able to keep its total cost of operations at \$14 million, which was slightly below the budgeted total. The target, however, was based on CCC reaching a business volume of \$1.2 billion. For 1998-99, CCC has established a target of 1.3 per cent which is based on a projected business volume of \$1.1 billion. The Corporation is confident it can better its standard by controlling costs while pursuing its ambitious business volume and client growth objectives.

Serving Clients

EXPORTERS RANK CCC FIRST ON OVERALL VALUE

CCC's trade role is unique in that the Corporation plays an independent role with both foreign buyer and Canadian exporter. The Corporation is effective because foreign buyers respect its track record. They know that CCC's endorsement is not automatic, but reflects a thorough and fair assessment of the exporter's capabilities. That raises the exporter's credibility in the eyes of the buyer, which in turn means doing business on better terms. But it can also lead to some friction with Canadian clients along the way. To ensure that CCC is responsive to the concerns and needs of Canadian exporters, CCC conducts an annual client satisfaction survey.

When asked to rate the value of services of CCC and a number of other public and private sources of trade assistance that they had used in the past year, exporters gave CCC the highest score, with 67 per cent rating CCC as excellent or very good, and an additional 26 per cent rating it as good.

CCC also received very high scores indicating customer commitment and strong customer retention. Eight out of ten respondents said they are likely to recommend CCC to business colleagues or associates, and a large majority (84 per cent) said they would continue to use CCC in the next year. Almost half said they would *increase* the amount of business they were putting through CCC in the coming year.

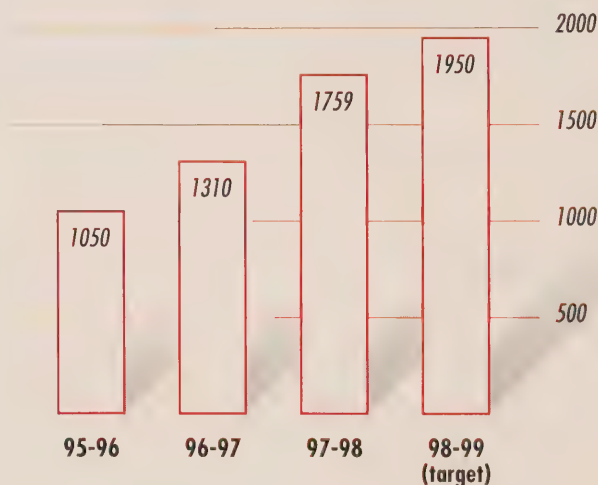
CCC's exporters are seeking public sector opportunities throughout the world. While 80 per cent are selling to the U.S. government, 39 per cent are also active in western Europe, 34 per cent in Asia/Pacific and 31 per cent in Latin America. Of these, 15 per cent said they

had developed new public sector markets in the U.S. in the past year, 12 per cent in western Europe, and 10 per cent in both Asia/Pacific and Latin America.

The problems most often identified by exporters in selling to foreign governments are *strength of the competition* (63 per cent), *bureaucracy* (63 per cent), and *limited time to respond to business opportunities* (52 per cent).

The highest awareness and usage of CCC services were contract negotiation, sales to the U.S. Defense Department, providing business opportunities and bid matching, and international sales on a government-to-government basis. While the PPP, as a small and newer program, had a low rate of usage, it received the highest overall value rating of any service, with over 90 per cent placing it in the top two categories of

Number of Suppliers Doing Business with CCC



Eight out of ten
respondents said
they are likely to
recommend CCC to
business colleagues
or associates,
and... would
continue to use CCC
in the next year.

excellent or very good. This reflects the positive feedback from small business throughout the survey. CCC's highest scores consistently came from its smaller clients, businesses doing less than \$5 million in sales per year.

When asked whether the implementation of cost recovery on CCC's optional services had affected their use of those services, only 4 per cent said it had to a great extent, 10 per cent indicated it had to some extent, and 81 per cent said it had no effect at all.

As part of its research, CCC also surveyed companies selling to foreign governments, but not using CCC. Generally, these companies indicated they were less likely to use government agencies to assist in their export efforts and were active in a wider range of markets (22 per cent in Africa and the Middle East for example). They did share CCC clients' categorization of export problems and views on the relative seriousness of them.

Awareness of CCC's services among the group was 60 per cent, a significant increase from 12 per cent among non-users in the last survey, but also showed limited understanding of the instances where CCC could be of assistance to them.

For the coming year, CCC has set a new performance target. Its 1997-98 survey produced a client satisfaction index of 6.7 out of 10, which is based on a client's overall assessment of CCC value to them after considering the quality and value of individual services they have used. In 1998-99, CCC has set itself the goal of raising that index to 7.2.

CORPORATE GOVERNANCE

CCC is an effective, specialized trade tool. Like all elements of Team Canada, it is expected to contribute to the goals of increasing Canada's exports, and the number of companies it assists to export, particularly among SMEs.

Key to maximizing that contribution is to ensure the Corporation's governance structures enable the establishment, measurement, and correction where necessary of corporate performance.

An effective Board of Directors monitors and evaluates the Corporation's strategies and priorities, approves the risk management framework within which the Corporation exercises its mandate, approves the Corporate Plan, and holds management accountable for the Corporation's performance through the position of the Chief Executive Officer.

The Corporation is reviewing its practices against the Government's 1996 guidelines for corporate governance of Crown Corporations. That review will enable the Corporation to establish the extent to which it is in compliance with those guidelines, ensure that the Board is fulfilling its responsibilities as outlined in them, and identify any gaps between those guidelines and current practices. Recommendations on these issues will be submitted for the Minister's consideration in 1998-99 to ensure that CCC's corporate governance practices enable the Corporation to continue to meet the challenges and changes of the international business environment.

The Way Ahead



Quality of service to exporters is of paramount importance. This year, CCC has for the first time adopted a client satisfaction index, and has set a target for increasing it. That index will increasingly become a key measurement of CCC's ability to meet changing client needs, and a key factor of the way in which the Corporation classifies and pays its employees.

Reflecting a greater emphasis on assisting SMEs, CCC will develop additional measurements of its value to Canadian exporters. These will include the degree to which it retains repeat business from both foreign buyers and exporters, the number of new exporters accessing its services each year, and the proportion of its clients that are SMEs.

The Corporation has set itself on a path to become increasingly self-sustaining in the provision of its optional services. The number of companies accessing CCC's services will continue to require improvements and streamlining in service delivery. In 1997 the Corporation organized its contracting operations through a system of business teams. That change included major commitments to develop systems, establish and monitor performance indicators and measurements and re-design human resource strategies to better match skills to client needs.

CCC's Corporate Plan foresees increasing the number of projects, both large and small, on which the Corporation is working with exporters. While some of that growth will occur in CCC's mandated service under the DPSA which is fully supported by parliamentary appropriation, most of that growth will occur in optional services for overseas sales, and in the PPP. In both instances, the Corporation will have to service that demand within current appropriation levels, supplemented by a modest cost recovery policy. Its ability to meet that demand will depend on providing commercially valuable services to its clients, at rates which they can afford. The cost recovery policy must also remain sensitive to the Government's specific concerns that the needs of SMEs be met, and in recognition of the very limited dollars that SMEs have for business development.

CCC's program of conversion of its internal informatics infrastructure to accommodate Year 2000 requirements is already underway and according to the Year 2000 Project Plan, this exercise will be completed by the end of 1998. It will then be followed by a period of intense testing with suppliers and customers identified as most susceptible to Year 2000 problems.

The Corporation is confident that in 1998-99 it can build on this year's results to set even greater records on behalf of Canadian exporters.

The Corporation is confident that in 1998-99 it can build on this year's results to set even greater records on behalf of Canadian exporters.

The relative level of its success will depend on:

- investing in systems to simplify and streamline CCC processes;

implementing a human resource strategy to ensure the Corporation's capabilities continue to keep pace with client expectations and changing client needs;

identifying and targeting those SMEs who are most likely to need CCC services over the next three years;

increasing the number of CCC clients active in both the U.S. and overseas;

- more effectively marketing the services of the PPP to SMEs through the program's bank partners;

- networking more effectively with foreign buyers to stimulate interest in Canadian sources of supply, particularly in the U.S. and with international organizations;

increasing the conversion ratios of CCC's Bid Matching Service through greater precision in matching opportunities to the individual Canadian company profiles;

continuing to increase the awareness of the Corporation among exporters and those in the business of advising them;

successful marketing of all CCC service lines to current and potential users across Canada.

Client service

CCC'S ACTIVITIES AROUND THE WORLD

In 1997-98, the Canadian Commercial Corporation transacted contracts and/or positive-value amendments with buyers in the countries listed below. The buyers listed in italics were new to the Corporation (i.e. buyers that have not dealt with CCC during the previous three fiscal years).

Argentina

- COMESI, s.a.i.c., Buenos Aires

Australia

- Department of Defence
- St. Mary's Cathedral, Sydney

Austria

- Army Materiel Office

Bahamas

- Ministry of Public Works

Barbados

- *Education Project Implementation Unit*

Bermuda

- The Bermuda Regiment

Botswana

- Botswana Defence Forces

Brazil

- *FONDOIN (Fondo Benezolano de Reconversion Industrial y Tecnologia)*

China

- Shanghai Ryerson Limited, Shanghai
- NEPA (China National Environment Protection Agency)
- Ministry of Agriculture
- Ministry of Internal Trade

Colombia

- *Area Metropolitana de Cucuta*
- Empresa de Telecomunicaciones, Bogota
- IFINORTE, San José de Cucuta

Cuba

- Cubanacan, S.A.
- *Empresa Contruimport, Havana*
- *Empresa Importadora de • • Abastecimiento Tecnico, Havana*
- *Ministerio de Salud Publica, Havana*
- *Ministerio del Transporte, Havana*

Denmark

- Danish Army Materiel Command
- Missionpharma, A/S

France

- Direction des Engins, Paris

Germany

- Office of Defence Technology & Procurement, Koblenz
- *Design Homes, Berlin*
- Europ-Bau Ausstellungs GmbH, Seevetal
- Ministry of Defence
- *Medicofit Sport GmbH, Delle*
- *MTU Motoren-Und Turbinen, Ludwigsfeld*
- *TIMOWA Projektierungs, New Ruggentin*
- *Teamhaus Baugesellschaft, Gehrlberg*
- Terrabaltic, Radeberg
- *Umweltbundesamt, Berlin*

Ghana

- The National Institutional Renewal Program

Greece

- Ministry of National Defence

Hong Kong, S.A.R.

- *China Resources Machinery and Equipment Co. Ltd.*
- *Hoi Po, Metal Manufacturing Co. Ltd.*

Hungary

- Air Traffic and Airport Administration

India

- *Kerala State Electricity Board*
- *Pawan Hans Helicopters Limited, New Delhi*

International Organizations

- Pan American Health Organization, Washington DC
- UNICEF, Copenhagen
- World Food Program, Rome
- UN Protection Forces, Zagreb
- *UN Preventive Deployment Forces, Skopje*
- UNHCR, Geneva
- World Health Organization, Geneva
- UN Department for Development Support & Management Services
- UN Procurement & Transportation Division
- UN Office for Project Services
- UN Population Fund
- NATO Maintenance and Supply Agency

Iran

- Iranian Civil Aviation Organization
- *Ministry of the Interior*
- *Sherkate Soortmeh, I.R.*

Ireland

- National Rehabilitation Board, Dublin

Israel

- *DEA Research and Development Ltd., Jerusalem*
- Had Paz Ltd., Yavne

Italy

- Page Europa, S.P.A., Roma

Jamaica

- Ministry of Health

Japan

- Asahikisai Company Ltd.
- Cosmo Homes Ltd., Chiba City
- Levante Inc., Tokyo

Kenya

- 82 Air Force

Korea

- Ministry of National Defence

Luxembourg

- Armée Luxembourgeoise

Mexico

- Bombardier Concaril, S.A. de C.V.

Morocco

- Trésorie Générale du Maroc

Netherlands

- Royal Netherlands Academy of Arts and Sciences
- Ministry of Defence

Norway

- Royal Norwegian Army
- Royal Norwegian Navy
- Troms Folkeblad

Palestinian Authority

- Palestine Civil Police, Gaza

Panama

- Blasser Brothers Inc, S.A.
- Panama Canal Commission

Portugal

- Ministry of National Defence

Russian Federation

- Aeroflot
- Chernogorneft, Nizhnevertovsk
- Yuganskneftegas, Nefteyugansk
- Russian Federal Employment Service

Saudi Arabia

- Abdullah Rashid al Karni Trading, Jeddah
- Saudi Trading Agencies, Jeddah

Singapore

- Pioneer Systems PTE Ltd.
- Singapore Automotive Technologies Ltd.

Spain

- Gamesa Industrial, Vitoria

Sweden

- Helsingborg Energi AB

Switzerland

- IFA, Solothurn

Taiwan

- New Village Globe International, Taipei

Tanzania

- Tanzanian Railway Corporation

Thailand

- National Research Council of Thailand
- Royal Thai Air Force

United Kingdom

- British Aerospace Limited
- Defence Clothing and Textiles Agency
- European Passenger Services
Island Waste Services Limited
- London Fire and Civil Defence Authority
Old Flying Machine Company
- Rolls-Royce Derby

United States

- U.S. Air Force
- U.S. Army
U.S. Coast Guard
U.S. Defense Logistics Agency
U.S. Defense Mapping Agency
- U.S. Marine Corps
- U.S. Navy
- U.S. National Guard
- NASA
- Augsburg Lutheran Church,
Winston-Salem, NC
- Agustana Lutheran Church,
Washington, DC
- Boeing Aerospace Operations Inc.,
Midwest, OK
- Brouwerij Belame Ltd., Cooperstown, NY
- BusyBody Fitness Warehouse, Dallas, TX
- Carraway Methodist Medical Centre,
Birmingham, AL
- Chand Corporation, Mathews, LA
- City of Gatlinburg, Gatlinburg, TN
- City of Pigeon Forge, Pigeon Forge, TN
- Columbus State University, Columbus, GA
- Association of Universities for Research in
Astronomy, Tucson, AZ
- Department of the Environment, Raleigh, NC
- Discovery Yacht Sales Inc, Seattle, WA
- FCI Corporation, Conyers, GA
- Federal Aviation Administration, Washington, DC
- First Baptist Church, LaGrange, GA
- First Presbyterian Church, Newport News, VA
- First United Methodist Church, Kalamazoo, MI
- Ford Motor Company, Allen Park, MI
- HeliCraft Services Ltd., San Antonio, TX
- Hellier Yacht Sales Ltd., New London, CT
- Hercules Construction & Development Inc.,
Brooklyn, NY
- Houston Yachts, Kemah, TX
- Kampi Components Ltd., Bristol, PA
- Liebert Corporation, Columbus, OH
- Marilyn Steel Decks Ltd., Tampa, FL
- Newtech Electronics, Hauppauge, NY
- Picotte Companies, Albany, NY
- Plaza Construction Corporation, New York, NY
- QDS, Chantilly, VA
- RS Electronics, Livonia, MI
- Raytheon Electronic Systems, Andover, MA
- Rocketdyne Technical Services Co., Kahului, HI
- Sam's Merchandising Division, Bentonville, AR
- St. Aloysius Catholic Church, Bowling Green, OH
- St. Ann's Catholic Church, Washington, DC
- St. Paul's Episcopal Church, Edenton, NC
- Department of Management and Budget,
State of Michigan
- Stein Mart Inc, Jacksonville, FL
- Supersonic Services Inc., Davie, FL
- TAOS Industries Ltd., Madison, AL
- Tracor Aerospace Electronic Systems Inc,
Lansdale, PA
- Trinity Episcopal Church, Reno, NV
- Trinity United Methodist Church,
Tallahassee, FL
- Uwolahli Inc, Huntsville, AL
- VOCGEN Inc., Houston, TX
- White Rock Baptist Church, Durham, NC

Uruguay

- ANTEL de Uruguay

Venezuela

- Fondo Nacional de Transporte Urbano, Caracas

Financial Statements 1997-98

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

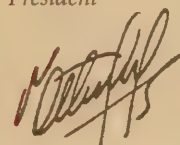
In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.



Robert G. Wright
President



Mike Pantazi
Director, Risk and Financial Services
Ottawa, Canada

AUDITOR'S REPORT

To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 1998 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada
Ottawa, Canada
June 5, 1998

Balance Sheet

As at March 31, 1998
(in thousands of dollars)

ASSETS	1998	1997
Cash and short-term deposits (Note 3)	\$46,640	\$55,050
Accounts receivable (Note 4)	179,871	123,703
Advances to suppliers	40,664	35,382
Progress payments to suppliers	39,890	37,404
	\$307,065	\$251,539

LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$186,459	\$135,640
Advances from customers	62,166	59,236
Progress payments from customers	38,389	36,715
Provision for additional contract costs (Note 5)	1,522	1,642
Employee termination benefits	1,012	1,054
Contingencies (Note 7)		
	289,548	234,287

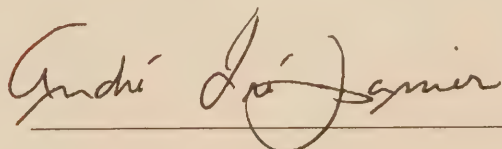
EQUITY OF CANADA		
Contributed Surplus	10,000	10,000
Retained Earnings	7,517	7,252
	17,517	17,252
	\$307,065	\$251,539

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Chairman and President



Director

Statement of Operations and Retained Earnings

For the year ended March 31, 1998
(in thousands of dollars)

REVENUES

	1998	1997
Contract billings (Note 8)	\$953,253	\$904,637
Interest and other income	3,504	2,907
	956,757	907,544

EXPENSES

Cost of contract billings (Note 8)	953,253	904,637
Additional contract costs	261	254
Administrative expenses	13,716	12,966
	967,230	917,857
Net results of operations before parliamentary appropriation	(10,473)	(10,313)
Parliamentary appropriation	10,738	10,941
Net results of operations after parliamentary appropriation	265	628
Retained earnings at beginning of year	7,252	6,624
Retained earnings at end of year	\$7,517	\$7,252

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Financial Position

For the year ended March 31, 1998
(in thousands of dollars)

FINANCING ACTIVITIES:	1998	1997
Parliamentary appropriation	\$10,738	\$10,941
OPERATING ACTIVITIES:		
Receipts from customers	900,708	831,262
Interest and other income received	3,504	2,907
Payments to suppliers	(910,360)	(832,475)
Administrative payments	(13,000)	(13,448)
Cash used in operating activities (Note 12)	(19,148)	(11,754)
Decrease in cash and short-term deposits	(8,410)	(813)
Cash and short-term deposits at beginning of year	55,050	55,863
Cash and short-term deposits at end of year	\$46,640	\$55,050

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 1998

1. Nature, Organization and Funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign governments, international organizations and other buyers. Corresponding supply contracts are entered into with Canadian firms by the Corporation.

The Government has provided the Corporation with \$10 million as contributed capital. The Corporation also has authority to draw loans from the Consolidated Revenue Fund in amounts up to a total of \$10 million as required to supplement its working capital. Annually, the Corporation seeks funding for its operations through a parliamentary appropriation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its contract billings, and related costs, when a delivery has taken place thus passing the title to the customers, or, in the case of progress payments, upon receipt of progress billings from suppliers for work performed.

The Corporation uses the percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and

related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced when deliveries are accepted by the customer.

Progress payments from customers and to suppliers, represent payments made by foreign buyers and to Canadian exporters respectively on contracts where the partial recoupment of costs (usually up to 80%), associated with the work performed on a contract leading up to delivery, is allowed. These payments are not loans. Given that the payment flows through to the Canadian exporter, the liabilities are essentially offset on the asset side of the balance sheet.

Advances from customers and to suppliers, represent a downpayment made at the outset of the contract, before any work has been performed, as agreed upon by the foreign buyer. These payments are not loans.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Exchange gains and losses arising from translation of foreign currencies are included in other income.

Contracts with foreign customers and corresponding contracts with Canadian suppliers are generally entered into in the same currency. The Corporation uses this and other techniques in order to effectively transfer currency risk to the supplier.

The Corporation maintains some working capital in other currencies to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee Termination Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Cash and Short-term Deposits

As at March 31, 1998, cash and short-term deposits include:

	Year ended March 31 (in thousands of dollars)	
	1998	1997
Unencumbered Balances		
U.S. dollars	\$22,808	\$24,225
Pounds Sterling	650	535
Canadian dollars	1,036	3,283
	<u>24,494</u>	<u>28,043</u>

Held in Trust

U.S. dollars	8,455	2,867
Australian dollars	678	5,229
Deutschemarks	2,156	8,844
Canadian dollars	10,857	10,067
	<u>\$22,146</u>	<u>\$27,007</u>

Total

U.S. dollars	31,263	27,092
Other currencies	3,484	14,608
Canadian dollars	11,893	13,350
	<u>\$46,640</u>	<u>\$55,050</u>

Interest earned on cash and short-term deposits held in trust is credited to the customer. The Corporation invests in short-term deposits in Canadian Schedule A banks. Average term to maturity is less than 21 days. The overall portfolio yield at March 31, 1998 was 5.2% (1997 - 4.9%). Cash and short-term deposits are valued at cost which approximates the market value.

4. Accounts Receivable and Accounts Payable

Accounts receivable are due on normal trade terms and are non-interest bearing.

Accounts payable are due on normal trade terms, except those due to small and medium-sized enterprises which are paid within 15 days. In neither case is interest payable.

As at March 31, 1998 the Corporation has net accounts receivable from foreign governments of \$179,361,000 (1997-\$123,260,000).

5. Provision for Additional Contract Costs

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of \$1,522,000 as of March 31, 1998 (1997- \$1,642,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

6. Contractual Obligations

The Corporation is obligated to fulfil numerous contracts with foreign customers. The total contract value remaining to be fulfilled approximates \$1.1 billion as at March 31, 1998 (1997 - \$1.3 billion).

Under the Progress Payment Program the Corporation also indemnifies participating banks for amounts they have advanced to the Corporation's suppliers. The Corporation has a claim through the bank to offset these indemnities. The amount of outstanding indemnities as of March 31, 1998 is \$4,719,000 (1997-\$6,400,000).

7. Contingencies

The Corporation was served with a Statement of Claim wherein the plaintiff, a supplier, seeks substantial damages arising out of alleged losses from contracts completed in 1993. Based on advice from legal counsel, the potential liability of the Corporation and the consequent damages arising from any such liability are, at present, not determinable.

In December 1997, the Corporation was served with a Statement of Claim wherein a foreign buyer alleged that goods manufactured by a Canadian supplier did not meet the specifications contained in a contract signed in 1992. In accordance with the terms of the back-to-back domestic contract executed between the Canadian supplier and the Corporation, the Canadian supplier has taken the lead in retaining and instructing counsel to defend the matter and will also be responsible for indemnifying the Corporation in the event any damages are awarded against it. While the damages being claimed by the plaintiff are significant, the external counsel has advised the Corporation that the plaintiff is having difficulty in substantiating its allegations. The damages arising from this action are, at present, not determinable.

Amounts, if any, payable for either claim by the Corporation will be recorded in the year in which they can be determined.

8. Contract Billings

Contract billings are distinct from Corporate business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 1998 amounted to \$1.020 billion (1997 - \$859 million).

The Corporation facilitates the sale of Canadian goods to foreign governments, international agencies and other buyers throughout the world. Contract billings were distributed as follows:

	Year ended March 31 (in thousands of dollars)	
	1998	1997
U.S. Government and buyers	\$ 628,363	\$581,134
Other Foreign Governments and buyers	298,560	315,957
United Nations Agencies	26,330	7,546
	<u>\$953,253</u>	<u>\$ 904,637</u>

9. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) Public Works and Government Services Canada

Generally, Public Works and Government Services Canada provides contract management services to the Corporation at predetermined negotiated rates based, in part, on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 1998 the cost of these services amounted to \$3,701,000 and are included in the administrative expenses.

On one specific contract, Public Works and Government Services Canada provides the Corporation with contract management services at no cost to the Corporation. It is estimated that the cost of this service would approximate \$1 million. The value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 1998 the cost of legal fees and expenses for specific actions amounted to \$608,000 (1997-\$484,000) and are included in the administrative expenses.

As a result of all related party transactions, the amounts due from and to these parties are \$240,000 (1997-\$165,000) and \$1,098,000 (1997-\$273,000) and are included in the accounts receivable and accounts payable respectively.

In addition, government departments provided the Corporation with certain administrative services without charge. The value of these services is not recorded in the Corporation's accounts.

10. Insurance

While the Corporation follows the practice of self-insuring, specific insurance is carried relating to fraud, computer hardware and software, office furniture and fixtures, and travel accident and medical.

11. Lease Commitments

In March 1995, the Corporation entered into a ten-year lease agreement for office space effective October 1, 1995. The annual payments for the duration of the lease will approximate \$775,000.

12. Reconciliation of Net results of operations before parliamentary appropriation to Cash used in operating activities

	Year ended March 31 (in thousands of dollars)	
	1998	1997
Net results of operations before parliamentary appropriation	(\$10,473)	(\$10,313)
Adjustments to reconcile net results to net cash used in operating activities:		
(Increase)decrease in accounts receivable	(56,168)	151
(Increase)decrease in advances to suppliers	(5,282)	35,167
(Increase)decrease in progress payments to suppliers	(2,486)	26,160
Increase in accounts payable and accrued liabilities	50,819	10,663
Increase (decrease) in advances from customers	2,930	(46,095)
Increase (decrease) in progress payments from customers	1,674	(26,874)
Increase (decrease) in provision for additional contract costs	(120)	(700)
(Decrease)increase in employee termination benefits	(42)	87
Total adjustments	(8,675)	(1,441)
Cash used in operating activities	(\$19,148)	(\$11,754)

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Comparative Figures

Certain 1996-97 figures have been reclassified to conform with the current year presentation.

À la suite de toutes les opérations entre apparentées, les montants dus par ces parties et à celles-ci qui sont inclus dans les débiteurs et les créditeurs sont respectivement de 240 000 \$ (165 000 \$ en 1997) et de 1 098 000 \$ (273 000 \$ en 1997).

En outre, des ministères du gouvernement ont fourni gratuitement certains services administratifs à la Corporation. Le coût de ces services n'est pas inscrit dans les comptes de la Corporation.

10. Assurance

Même si la Corporation pratique l'auto-assurance, elle s'assure contre les risques particuliers reliés à la fraude, aux installations informatiques et logiciels, au mobilier et aux accessoires de bureau, aux accidents de voyage et aux frais médicaux.

11. Engagements en vertu d'un bail

En mars 1995, la Corporation a signé un bail de dix ans pour l'espace de bureau, qui est entré en vigueur le 1^{er} octobre 1995. Les versements minimum annuels de loyer en vertu et pour la durée du bail s'établissent aux environs de 775 000 \$.

12. Rapprochement des résultats d'exploitation nets avant crédits parlementaire avec l'encaisse utilisée pour les activités d'exploitation

Exercice terminé le 31 mars
(en milliers de dollars)
1998
1997

Résultats d'exploitation nets avant crédit parlementaire	(10 473 \$)	(10,313 \$)
Redressements aux fins de rapprochement des résultats nets à l'encaisse nette utilisée pour les activités d'exploitation :		
(Augmentation) diminution des débiteurs	(56 168)	151
(Augmentation) diminution des avances aux fournisseurs	(5 282)	35 167
(Augmentation) diminution des paiements proportionnels aux fournisseurs	(2 486)	26 160
Augmentation des débiteurs et charges à payer	50 819	10 663

13. Incertitude découlant du problème du passage à l'an 2000

Augmentation (diminution) des avances des clients	2 930	(46 095)
Augmentation (diminution) des paiements proportionnels des clients	1 674	(26 874)
(Diminution) de la provision pour frais supplémentaires de contrats	(120)	(700)
(Diminution) augmentation des indemnités de cessation d'emploi	(42)	87
Total des redressements	(8 675)	(1 441)
Encaisse utilisée pour les activités d'exploitation	(19 148 \$)	(11 754 \$)

Le passage à l'an 2000 pose un problème parce que de nombreux systèmes informatiques utilisent deux chiffres plutôt que quatre pour identifier l'année. Les systèmes sensibles aux dates peuvent confondre l'an 2000 avec l'année 1900 ou une autre date, ce qui entraîne des erreurs lorsque des informations faisant intervenir des dates de l'an 2000 sont traitées. En outre, des problèmes semblables peuvent se manifester dans des systèmes qui utilisent certaines dates de l'année 1999 pour représenter autre chose qu'une date. Les répercussions du problème du passage à l'an 2000 pourront se faire sentir le 1^{er} janvier de l'an 2000, ou encore avant ou après cette date, et, si l'on n'y remédie pas, les conséquences sur l'exploitation et l'information financière peuvent aller d'erreurs mineures à une défaillance importante des systèmes qui pourrait nuire à la capacité de l'entité d'exercer normalement ses activités. Il n'est pas possible d'être certain que tous les aspects du problème du passage à l'an 2000 qui ont incidé sur l'entité, y compris ceux qui ont trait aux efforts déployés par les clients, les fournisseurs ou d'autres tiers, seront entièrement résolus.

14. Chiffres correspondants

Certaines données pour 1996-1997 ont été reclassifiées pour qu'elles soient conformes à la présentation de l'exercice en cours.

Dans le cadre du Programme de paiements progressifs, la Corporation indemnise les institutions financières participantes pour les sommes avancées aux fournisseurs de la Corporation. La Corporation détient à la banque une créance lui permettant de compenser les indemnités. Au 31 mars 1998, les indemnités non remboursées s'élevaient à 4 719 000 \$ (6 400 000 \$ en 1997).

7. Éventualités

La Corporation a été notifiée par voie d'une déclaration en vertu de laquelle le plaignant, un fournisseur, veut être dédommagé pour des pertes considérables présumées encourues dans le cadre de contrats achetés en 1993. Après consultation d'un avocat, il a été établi que la responsabilité éventuelle de la Corporation et les dommages-intérêts pouvant en découler ne peuvent pas encore être déterminés.

En décembre 1997, la Corporation a été notifiée par voie d'une déclaration selon laquelle un acheteur étranger prétend que des biens manufacturés par un fournisseur canadien ne correspondaient pas aux spécifications énoncées dans un contrat établi en 1992. Conformément aux dispositions du contrat correspondant signé par le fournisseur canadien et la Corporation, le fournisseur canadien a pris les devants et a retenu les services d'un avocat en lui donnant instruction de défendre la cause. Le fournisseur aura aussi la charge d'indemniser la Corporation contre les dommages-intérêts découlant de cette plainte, le cas échéant. Bien que les dommages réclamés par le plaignant soient importants, l'avocat a avisé la Corporation que le plaignant éprouvait des difficultés à justifier ses allégations. Le préjudice pouvant découler de cette réclamation ne peut pas encore être déterminé.

Tout montant que devra payer la Corporation, pour l'une ou l'autre des réclamations, sera comptabilisé au cours de l'exercice où il pourra être déterminé.

8. Contrats facturés

La facturation de contrats est distincte du volume des transactions corporatives, qui est le terme employé pour décrire la valeur totale des contrats et des modifications signés durant l'année. Le volume des transactions pour l'année se terminant le 31 mars 1998 se chiffrait à 1,020 milliard de dollars (859 millions de dollars en 1997).

La Corporation facilite la vente de biens canadiens à des gouvernements étrangers, à des organismes internationaux et à d'autres acheteurs travers le monde. Les contrats facturés ont été répartis comme suit :

Exercice terminé le 31 mars (en milliers de dollars)

Gouvernement et acheteurs des États-Unis	628 363	\$	581 134
Autres gouvernements et acheteurs étrangers	298 560		315 957
Organismes des Nations Unies	26 330		7 546
	953 253	\$	904 637

9. Opérations entre apparentés

La Corporation a des liens de propriété commune avec tous les ministères, organismes et sociétés d'État du gouvernement du Canada. La Corporation transige avec ces entités dans le cours normal de ses affaires. Outre les opérations indiquées ailleurs dans les présents états financiers, la Corporation a effectué les opérations suivantes avec des apparentés :

a) Travaux publics et Services

gouvernementaux Canada

Généralement, Travaux publics et Services gouvernementaux Canada offre à la Corporation des services de gestion de contrat qui sont facturés à des taux prédéterminés et calculés sur le montant des contrats obtenus. Ce ministère fournit également certains services au prix coûtant. Au cours de l'exercice terminé le 31 mars 1998, le coût de ces services a atteint 3 701 000 \$ et est inclus dans les frais d'administration. Dans le cas d'un contrat particulier, Travaux publics et Services gouvernementaux Canada fournit à la Corporation des services de gestion de contrats sans frais imputables à la Corporation. On estime que le coût de ce service serait à l'ordre d'un million de dollars. Le coût de ces services n'est pas inscrit dans les comptes de la Corporation.

b) Ministère de la Justice

Le ministère de la Justice représente la Corporation dans certaines causes. La Corporation paie les honoraires et les frais pour des poursuites particulières. Pour l'exercice terminé le 31 mars 1998, les honoraires et les frais juridiques pour les poursuites particulières se sont chiffrés à 608 000 \$ (484 000 \$ en 1997) et sont inclus dans les frais d'administration.

Les contrats passés avec des clients étrangers et, par la suite, avec des fournisseurs canadiens, sont généralement conclus dans la même devise. C'est par ce moyen et d'autres que la Corporation fait assumer aux fournisseurs le risque de change.

La Corporation conserve une partie de son fonds de roulement en monnaies étrangères pour faciliter les mouvements de trésorerie entre clients étrangers et fournisseurs canadiens.

c) Régime de retraite

Les employés de la Corporation sont couverts par le Régime de pension de retraite de la fonction publique qui est administré par le gouvernement du Canada. Aux termes des lois actuelles, les cotisations que verse la Corporation au Régime sont limitées à un montant égal aux cotisations versées par l'employé au titre de ses services courants. Ces cotisations représentent le total des obligations de la Corporation découlant du régime de retraite et sont imputées aux résultats sur une base courante. Selon les lois actuelles, la Corporation n'est pas tenue de faire des contributions à l'égard des insuffisances actuarielles du Compte de pension de retraite de la fonction publique.

d) Indemnités de cessation d'emploi

Les employés de la Corporation ont droit à des indemnités de cessation d'emploi calculées d'après le niveau de salaire en vigueur au moment du départ, conformément aux conventions collectives et aux conditions d'emploi. L'élément de passif relatif à ces indemnités est inscrit dans les comptes à mesure que les employés les accumulent.

La direction se fonde sur les droits courants pour estimer l'élément de passif relatif aux indemnités de cessation d'emploi.

3. Encaisse et dépôts à court terme

Au 31 mars 1998, l'encaisse et les dépôts à court terme englobaient ce qui suit :

Exercice terminé le 31 mars (en milliers de dollars)		1998	1997
Solde non affectés			
Dollars américains	22 808 \$	24 225 \$	
Livres sterling	650	535	
Dollars canadiens	1 036	3 283	
	24 494	28 043	

Les intérêts gagnés sur l'encaisse et les dépôts à court terme déposés en fiducie sont portés au crédit du client. La Corporation investit dans des dépôts à court terme de banques canadiennes de l'annexe A, dont l'échéance moyenne est inférieure à 21 jours. Le rendement global du portefeuille, au 31 mars 1998, était de 5,2 % (4,9 % en 1997). La valeur comptable de l'encaisse et des dépôts à court terme avoisine la valeur au marché.

4. Débiteurs et créditeurs

Les débiteurs doivent être réglés selon les modalités commerciales normales et ne portent pas intérêt.

Les créditeurs doivent être réglés selon les modalités commerciales normales, sauf ceux à verser aux petites et moyennes entreprises qui sont réglés dans les quinze jours. Aucun intérêt n'est versé dans l'un ou l'autre cas.

En date du 31 mars 1998, la Corporation avait des sommes nettes à recouvrer de gouvernements étrangers d'une valeur de 179 361 000 \$ (123 260 000 \$ en 1997).

5. Provision pour frais supplémentaires de contrats

La Corporation peut devoir assumer des frais supplémentaires de contrats en cas de manquement de la part des fournisseurs. Au 31 mars 1998, la Corporation avait comptabilisé, selon la meilleure estimation de la Direction, une provision de 1 522 000 \$ (1 642 000 \$ en 1997) pour des frais supplémentaires de contrats qui seront engagés par la Corporation afin de s'acquitter de ses obligations contractuelles.

6. Obligations contractuelles

La Corporation est tenue de réaliser de nombreux contrats avec des clients étrangers. Au 31 mars 1998, la valeur globale des contrats en cours était de l'ordre de 1,1 milliard de dollars (1,3 milliard de dollars en 1997).

Dépôts en fiducie		22 146 \$	27 007 \$
Dollars américains	8 455	2 867	
Dollars australiens	678	5 229	
Marks allemands	2 156	8 844	
Dollars canadiens	10 857	10 067	
Total		22 146 \$	27 007 \$
Dollars américains		31 263	27 092
Autres devises		3 484	14 608
Dollars canadiens		11 893	13 350
		46 640 \$	55 050 \$

1. Nature, structure et financement

Constituée en 1946 en vertu de la Loi sur la Corporation commerciale canadienne, la Corporation est une société d'Etat mandataire figurant à la Partie I de l'Annexe III de la Loi sur la gestion des finances publiques.

La Corporation généralement agit comme mandataire principal lorsque des pays ou des organismes internationaux désirent acheter des produits et des services du Canada. La Corporation établit des contrats avec des gouvernements étrangers, des organismes internationaux et d'autres acheteurs. La Corporation établit des contrats d'approvisionnement correspondant avec des entreprises canadiennes.

Le gouvernement a fourni à la Corporation un capital d'apport de 10 millions de dollars. La Corporation est aussi autorisée à emprunter des fonds du Trésor jusqu'à concurrence de 10 millions de dollars pour augmenter son fonds de roulement. Chaque année, la Corporation finance ses activités par le biais d'un crédit parlementaire.

La Corporation n'est pas assujettie aux dispositions de la Loi de l'impôt sur le revenu.

2. Conventions comptables importantes

Les présents états financiers ont été dressés conformément aux principes comptables généralement reconnus. On trouvera ci-dessous un résumé des principales conventions comptables :

a) Contrats

La Corporation enregistre la facturation de contrats, et des coûts qui y sont associés, au moment de la livraison et transfère à ce moment le titre au client. Dans le cas de paiements progressifs, elle enregistre la facturation de contrats sur réception des montants payés par les fournisseurs pour le travail qui a été réalisé.

La Corporation utilise la méthode de l'avancement des travaux pour comptabiliser les contrats qui prévoient des paiements proportionnels. On reconnaît le coût des contrats facturés et les revenus connexes au moment de la réception de factures proportionnelles des fournisseurs.

b) Conversion des devises

Les coûts supplémentaires des contrats encourus lorsque les fournisseurs ne s'acquittent pas de leurs obligations envers la Corporation sont déterminés cas par cas. Ces coûts sont portés à l'état des résultats de l'exercice au cours duquel l'exécution a eu lieu, et l'on peut déterminer de façon raisonnable les coûts supplémentaires à être engagés par la Corporation.

Les coûts supplémentaires des contrats encourus paiements ne sont pas des prêts. qui a été convenu avec l'acheteur étranger. Ces paiements ne sont pas des prêts.

Comme le titre de propriété n'a pas encore été cédé au client, la Corporation considère les paiements proportionnels aux fournisseurs comme un actif et les paiements proportionnels reçus des clients comme un passif. Les paiements proportionnels connexes sont réduits à mesure que les livraisons sont acceptées par le client. Les paiements proportionnels des clients et aux fournisseurs représentent les versements des acheteurs étrangers aux exportateurs canadiens en vertu de contrats permettant le recouvrement partiel des coûts (généralement 80 p. 100) liés au travail effectué en vue de mener un contrat à terme. Ces paiements ne constituent pas des prêts. Étant donné que le paiement passe par l'exportateur canadien, le passif est compensé en grande partie par les éléments de l'actif inscrits au bilan.

Les avances des clients et aux fournisseurs constituent un acompte versé après la conclusion du contrat, avant qu'aucun travail n'ait été entamé, conformément à ce qui a été convenu avec l'acheteur étranger. Ces paiements ne sont pas des prêts.

Les coûts supplémentaires des contrats encourus

lorsque les fournisseurs ne s'acquittent pas de leurs obligations envers la Corporation sont déterminés cas par cas.

Ces coûts sont portés à l'état des résultats de l'exercice au cours duquel l'exécution a eu lieu, et l'on peut déterminer de façon raisonnable les coûts supplémentaires à être engagés par la Corporation.

Les éléments d'actif et de passif exprimés en monnaies étrangères sont convertis en dollars canadiens au cours du change en vigueur à la fin de l'exercice. Les revenus et les dépenses sont convertis au taux de change moyen pour le mois pendant lequel l'opération a lieu. Les gains et les pertes de change découlant des opérations sur monnaies étrangères sont inclus dans les autres revenus.

Etat de l'évolution de la situation financière

pour l'exercice terminé le 31 mars 1998
(en milliers de dollars)

ACTIVITES DE FINANCEMENT		
Crédit parlementaire	10 738 \$	1998
	- 10 941 \$	1997

ACTIVITES D'EXPLOITATION		
Encaissements provenant de clients	900 708	831 262
Intérêts et autres revenus encaissés	3 504	2 907
Paiements aux fournisseurs	(910 360)	(832 475)
Paiements administratifs	(13 000)	(13 448)
Encaisse utilisée pour les activités d'exploitation (note 12)	(19 148)	(11 754)
Diminution de l'encaisse et des dépôts à court terme	(8 410)	(813)
Encaisse et dépôts à court terme au début de l'exercice	55 050	55 863
Encaisse et dépôts à court terme à la fin de l'exercice	46 640 \$	55 050 \$

Les notes complémentaires font partie intégrante des états financiers.

Etat des résultats et bénéfices non répartis

pour l'exercice terminé le 31 mars 1998
(en milliers de dollars)

REVENUS		
Contrats facturés (note 8)	953 253 \$	904 637 \$
Intérêts créditeurs et autres revenus	3 504	2 907
	956 757	907 544

DÉPENSES		
Coûts des contrats facturés (note 8)	953 253	904 637
Frais de contrats supplémentaires	261	254
Frais d'administration	13 716	12 966
	967 230	917 857
Résultats d'exploitation nets avant le crédit parlementaire	(10 473)	(10 313)
Crédit parlementaire	10 738	10 941
Résultats d'exploitation nets après le crédit parlementaire	265	628
Bénéfices non répartis au début de l'exercice	7 252	6 624
Bénéfices non répartis à la fin de l'exercice	7 517 \$	7 252 \$

Les notes complémentaires font partie intégrante des états financiers.

au 31 mars 1998
(en milliers de dollars)

ACTIF

Encaisse et dépôts à court terme (note 3)	46 640 \$	55 050 \$
Débiteurs (note 4)	179 871	123 703
Avances aux fournisseurs	40 664	35 382
Paiements proportionnels aux fournisseurs	39 890	37 404
	307 065 \$	251 539 \$

PASSIF

Créditeurs et charges à payer (note 4)	186 459 \$	135 640 \$
Avances des clients	62 166	59 236
Paiements proportionnels reçus des clients	38 389	36 715
Provision pour frais supplémentaires de contrats (note 5)	1 522	1 642
Indemnités de cessation d'emploi	1 012	1 054
Éventualités (note 7)	289 548	234 287
AVOIR DU CANADA		
Capital d'apport	10 000	10 000
Bénéfices non répartis	7 517	7 252
	17 517	17 252
	307 065 \$	251 539 \$

Les notes complémentaires font partie intégrante des états financiers

Approuvé par le Conseil :

Le président du conseil d'administration et le président

Un administrateur

[Signature]
[Signature]

RESPONSABILITÉ DE LA DIRECTION À L'ÉGARD DES ÉTATS FINANCIERS

La direction assume la responsabilité des états financiers de la Corporation commerciale canadienne et de tous les renseignements contenus dans le présent rapport annuel approuvé par le Conseil d'administration. Les états financiers ont été dressés conformément aux principes comptables généralement reconnus et s'appuient, le cas échéant, sur les meilleurs estimations et jugements de la direction. Les renseignements financiers présentés ailleurs dans le rapport annuel concordent avec les états financiers.

Pour s'acquitter de sa responsabilité à l'égard de la présentation d'information financière, la direction compte sur des systèmes et des pratiques de contrôle de gestion et financier conçus pour fournir une certitude raisonnable quant à l'autorisation des opérations, la protection des biens et la tenue de registres appropriés. Ces mesures de contrôle et ces pratiques visent à assurer la conduite ordonnée des affaires, l'exactitude des registres comptables, l'établissement en temps opportun de renseignements financiers fiables, ainsi que le respect des politiques de la Corporation et des exigences législatives.

Le Comité de vérification veille à ce que la direction assume ses responsabilités à l'égard du maintien de systèmes de contrôle adéquats et de la qualité de l'information financière présentée. Les vérificateurs externes de la Corporation ont librement et pleinement accès au Comité de vérification pour discuter des résultats de leurs travaux et lui faire part de leurs préoccupations et de leurs avis.

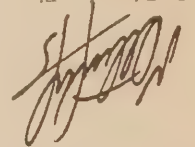
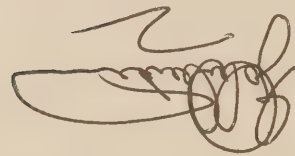


Le Président
Robert G. Wright

Mike Pantazi

Ottawa (Canada)

Le Directeur, Finances et gestion du risque

John Wiersema, CA

Vérificateur général adjoint

Ottawa (Canada)

le 5 juin 1998

RAPPORT DU VÉRIFICATEUR Au ministre du Commerce international

J'ai vérifié le bilan de la Corporation commerciale canadienne au 31 mars 1998 et les états des résultats et bénéfices non répartis et de l'évolution de la situation financière de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Corporation. Ma responsabilité consiste à exprimer une opinion sur ces états financiers en me fondant sur ma vérification.

Ma vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À mon avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Corporation au 31 mars 1998 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus. Conformément aux exigences de la Loi sur la gestion des finances publiques, je déclare qu'à mon avis ces principes ont été appliqués de la même manière qu'au cours de l'exercice précédent.

De plus, à mon avis, les opérations de la Corporation dont j'ai eu connaissance au cours de ma vérification des états financiers ont été effectuées, à tous égards importants, conformément à la partie X de la Loi sur la gestion des finances publiques et ses règlements, à la Loi sur la Corporation commerciale canadienne et aux règlements administratifs de la Corporation.

Pour le vérificateur général du Canada

États financiers 1997-1998

- St. Paul's Episcopal Church, Edenton, NC
- Stein Mart Inc., Jacksonville, FL
- Super sonic Services Inc., Davie, FL
- TAOS Industries Ltd., Madison, AL
- Tracor Aerospace Electronic Systems Inc., Landsdale, PA
- Trinity Episcopal Church, Reno, NV
- Trinity United Methodist Church, Tallahassee, FL
- Uwobah Inc., Huntsville, AL
- Ville de Gallinburg, Gallinburg, TN
- Ville de Pigeon Forge, Pigeon Forge, TN
- VOGGEN Inc., Houston, TX
- White Rock Baptist Church, Durham, NC
- Direction des Engins, Paris
- Aéroflot
- Chernogorovnefti, Nizhnevartovsk
- Service fédéral russe d'emploi Xuganskneftegas, Nefteyugansk
- The National Institutional Renewal Program
- Grèce
- Ministère de la Défense nationale
- Hong Kong S.A.R.
- China Resources Machinery and Equipment Co. Ltd.
- Hot Po, Metal Manufacturing Co. Ltd.
- Hongrie
- Administration du trafic aérien et d'aéroports
- Inde
- Commission de l'électricité du Kerala
- Pawan Hans Helicopters Limited, New Delhi
- Iran
- Ministère de l'Intérieur
- Organisation de l'aviation civile iranienne
- Sherkate Soortneh, I.R.
- Irlande
- Commission de réhabilitation nationale, Dublin

- Israël
- DEA Research and Development Ltd., Jérusalem
- Had Paz Ltd., Yavne
- Italie
- Page Europa, S.P.A., Rome
- Ministère de la Santé
- Japon
- Asahikikisai Company Ltd.
- Cosmo Homes Ltd., Chiba
- Levante Inc., Tokyo
- Kenya
- Forces aériennes 82
- Luxembourg
- Armée luxembourgeoise
- Maroc
- Trésorerie Générale du Maroc
- Mexique
- Bombardier Concarill, S.A. de C.V.
- Norvège
- Armée royale norvégienne
- Marine royale norvégienne
- Troms Folkeblad
- Organisations internationales
- Agence de maintenance et d'approvisionnement de l'OTAN
- Bureau des services d'appui aux projets, New York
- Département des services d'appui et de gestion pour le développement des Nations Unies, New York
- Division des approvisionnements et des transports des Nations Unies, New York
- Fonds des Nations Unies pour la population, New York
- Forces de déploiement préventive des Nations Unies, Skopje
- Forces de protection des Nations Unies, Zagreb
- HCR, Genève
- Organisation mondiale de la santé, Genève
- Organisation panaméricaine de la santé, Washington, DC
- Programme alimentaire mondial, Rome
- UNICEF, Copenhague

- Panama
- Blasser Brothers Inc., S.A.
- Commission du canal de Panama
- Pays-Bas
- Académie royale des arts et sciences des Pays-Bas
- Ministère de la Défense
- Portugal
- Ministère de la Défense nationale
- Royaume-Uni
- British Aerospace Limited
- Defence Clothing and Textiles Agency
- European Passenger Services
- Island Waste Services Limited
- London Fire and Civil Defence Authority
- Old Flying Machine Company
- Rolls-Royce Derby
- Singapour
- Pioneer Systems PTE Ltd.
- Singapore Automotive Technologies Ltd.
- Suède
- Helsingborg Energi AB
- Suisse
- IFA, Solothurn
- Taïwan
- New Village Globe International, Taipei
- Tanzanie
- Corporation des chemins de fer tanzaniens
- Thaïlande
- Conseil national de recherche de Thaïlande
- Forces aériennes royales thaïlandaises
- Uruguay
- ANTEL de Uruguay
- Vénézuéla
- Fonds national de transports urbains, Caracas

LES ACTIVITÉS DE LA CCC DANS LE MONDE

En 1997-1998, la Corporation commerciale canadienne a transigé des contrats ou des modifications à valeur ajoutée avec des acheteurs situés dans les pays énumérés ci-dessous. Les acheteurs mentionnés en italique étaient de nouveaux clients de la CCC (c'est-à-dire des acheteurs qui n'avaient pas fait affaire avec la CCC au cours des trois précédents exercices).

Allemagne	Bureau de la technologie de défense et de l'approvisionnement, Coblenze
	<i>Design Homes, Berlin</i>
	Europ-Bau Ausstellungen GmbH, Seevetal
	<i>Medicofit Sport GmbH, Delle</i>
	Ministère de la Défense
	MTU Motoren-Und Turbinen, Ludwigsfeld
	<i>Teamhaus Baugesellschaft Gehrberg</i>
	<i>Terrabit, Raadeberg</i>
	<i>TIMOWA Projektierungs, New Rogenin</i>
	<i>Umweltbundesamt, Berlin</i>
Arabie Saoudite	Abdullah Rashid al Karni
	Trading, Jeddah
	<i>Organismes commerciaux saoudiens, Jeddah</i>
Argentine	COMES, s.a.i.c., Buenos Aires
Australie	Cathédrale St. Marys, Sydney
	Département de la Défense
Autorité palestinienne	Police civile palestinienne, Gaza
Autriche	Bureau du matériel de l'armée
Bahamas	Ministère des Travaux publics
Barbades	Unité de mise en place du projet d'éducation
Bermudes	Le Régiment des Bermudes
Botswana	Forces armées du Botswana
Bразил	FONDOIN (Fondo Benzoiano de Reconversion Industrial y Tecnologia)
	Astronomy, Tucson, AZ
	Association of Universities for Research in Washington, DC
	Agustina Lutheran Church, Washington, DC
	NASA
	Marine des États-Unis
	Garde nationale des États-Unis
	Garde côtière des États-Unis
	Forces aériennes des États-Unis
	Corps des fusiliers marins des États-Unis
	Armée de terre des États-Unis
	Agence de cartographie de défense des États-Unis
	Agence de logistique de défense des États-Unis
Etats-Unis	
	Gamesa Industrial, Vitoria
Espagne	
	Missionpharma, A/S
	danoise
	Commandement du matériel de l'armée
Danemark	
	Ministère des transports, la Havane
	<i>Ministère de la Santé publique, la Havane</i>
	<i>Tecnico, la Havane</i>
	<i>Empresa Importadora de Abastecimiento</i>
	<i>Empresa Contruimport, la Havane</i>
	Cubanacan, S.A.
Cuba	
	Ministère de la Défense nationale
Corée	
	IFINORTE, San José de Cucuta
	Empresa de Telecomunicaciones, Bogota
Colombie	
	Area Metropolitana de Cucuta
	Shanghai Ryerson Limited, Shanghai
	NEPA (organismo nacional chino de protección de l'environnement)
	Ministère du Commerce intérieur
Chine	
	Winston-Salem, NC
	Boeing Aerospace Operations Inc., Midwest, OK
	Brouwerij Belame Ltd, Cooperstown, NY
	BusyBody Fitness Warehouse, Dallas, TX
	Carraway Methodist Medical Centre, Birmingham, AL
	Chand Corporation, Mathews, LA
	Columbus State University, Columbus, GA
	Department of Management and Budget, Etat de Michigan
	Department of the Environment, Raleigh, NC
	Discovery Yacht Sales Inc., Seattle, WA
	FCI Corporation, Conyers, GA
	Federal Aviation Administration, Washington, DC
	First Baptist Church, LaGrange, GA
	First Presbyterian Church, Newport News, VA
	<i>First United Methodist Church, Kalamazoo, MI</i>
	Ford Motor Company, Allen Park, MI
	Hellicraft Services Ltd, San Antonio, TX
	Hellicraft Yacht Sales Ltd, New London, CT
	Hercules Construction & Development Inc., Brooklyn, NY
	Houston Yachts, Kemah, TX
	Kamp Components Ltd, Bristol, PA
	Libert Corporation, Columbus, OH
	Marlyn Steel Decks Ltd, Tampa, FL
	Newtech Electronics, Hauppauge, NY
	Picotte Companies, Albany, NY
	Plaza Construction Corporation, New York, NY
	QDS, Chantilly, VA
	RS Electronics, Livonia, MI
	Raytheon Electronic Systems, Andover, MA
	Rocketdyne Technical Services Co., Kahului, HI
	Sam's Merchandising Division, Bentonville, AR
	St. Aloysius Catholic Church, Bowling Green, OH
	St. Ann's Catholic Church, Washington, DC

commercialiser de façon plus efficace les services du PFP auprès des PME par l'intermédiaire des partenaires bancaires du programme;

mieux réseauter avec les acheteurs étrangers, particulièrement avec les organisations américaines et internationales, afin de stimuler leur intérêt pour les fournisseurs canadiens;

augmenter les taux de conversion en marché des soumissions jumelées par le service de la CCC chargé de ce travail en s'attachant à jumeler plus précisément les débouchés avec les profils individuels des sociétés canadiennes;

continuer à mieux faire connaître la CCC aux exportateurs et à ceux qui les conseillent;

faire une promotion réussie de toute la gamme des services de la CCC auprès des utilisateurs actuels et éventuels au Canada.

La Corporation est convaincue de pouvoir, en 1998-1999, bâtir sur les résultats de cette année pour battre ses propres records au nom des exportateurs canadiens.

Son niveau relatif de succès dépendra des éléments suivants :

- investir dans des systèmes qui simplifieront et rationaliseront les processus de la CCC;
- mettre en place une stratégie de ressources humaines qui permettra à la CCC de continuer de répondre aux attentes de sa clientèle et à l'évolution de ses besoins;
- déterminer et viser les PME qui auront le plus probablement besoin des services de la CCC au cours des trois prochaines années;
- augmenter le nombre de clients actifs de la CCC tant sur les marchés aux États-Unis qu'outre-mer;

d'une importance primordiale. Cette année, la CCC a, pour la première fois, adopté un indice de satisfaction des clients et s'est fixé l'objectif de l'améliorer. Cette mesure deviendra de plus en plus l'élément clé de l'évaluation de sa capacité de répondre à l'évolution des besoins de ses clients et un facteur essentiel de la façon dont elle classe et rémunère ses employés.

Refletant la plus grande attention qu'elle porte aux PME, la CCC élaborera des moyens supplémentaires de mesure de la valeur qu'elle revêt aux yeux des exportateurs canadiens. Ces mesures incluront l'importance de la clientèle acquise parmi les acheteurs étrangers et les exportateurs, le nombre de nouveaux exportateurs ayant recours à ses services chaque année et la proportion de PME composant sa clientèle.

La Corporation s'est tracé un chemin qui la mènera à une autonomie croissante dans le domaine de l'utilisation de ses services facultatifs. Le nombre de sociétés ayant recours aux services de la CCC continuera d'exiger l'amélioration et la rationalisation de l'offre de services. En 1997, la Corporation a introduit un système d'équipe commerciale pour ses opérations de passation de contrats. Ce changement a comporté des engagements majeurs pour développer des systèmes, établir et suivre des indicateurs et mesures de rendement et reformuler les stratégies de ressources humaines de sorte à mieux jumeler les compétences avec les besoins des clients.



Dans son Plan directeur, la Corporation prévoit augmenter le nombre de projets de toutes tailles sur lesquels elle travaille de pair avec les exportateurs. Tandis qu'une partie de cette croissance aura lieu dans les services faisant partie du mandat de la CCC en vertu de l'APPD qui est totalement financé par des crédits parlementaires, la plus grande partie de cette croissance se produira dans le secteur des services facultatifs aux ventes outre-mer et dans le PPP. Dans les deux cas, la Corporation devra répondre à cette demande avec les crédits actuels augmentés des fonds provenant de sa modeste politique de recouvrement des coûts. Elle ne pourra répondre à cette demande que dans la mesure où elle offrira à ses clients des services commerciaux qu'ils jugeront précieux et dont les taux correspondront à leurs moyens. La politique de recouvrement des coûts doit également rester sensible aux préoccupations particulières du gouvernement concernant les PME, à savoir qu'il faut répondre à leurs besoins et tenir compte du fait qu'elles n'ont que peu de fonds à consacrer à leurs croissance.

Le programme de la CCC en informatique la rendra compatible avec les exigences technologiques de l'an 2000 et il sera terminé vers la fin de 1998, si l'on se fie au Plan du projet de l'an 2000. Viendra ensuite une période d'essais intensifs en collaboration avec les fournisseurs et les clients parmi ceux à qui le passage à l'an 2000 posera le plus probablement des problèmes.

Huit répondants sur dix ont déclaré qu'ils recommanderaient la CCC à des collègues du milieu des affaires ou à des associés... et continueraient à utiliser les services de la CCC au cours de l'année à venir.

GOUVERNEMENT D'ENTREPRISE

La CCC s'est fixé un nouvel objectif de rendement pour l'année prochaine. Son sondage 1997-1998 a produit un indice de satisfaction des clients de 6,7 sur 10 basé sur l'évaluation générale, par le client, de la valeur de la CCC à ses yeux après avoir pris en considération la qualité et la valeur des services individuels qu'il avait utilisés. En 1998-1999, la CCC veut porter cet indice à 7,2.

La CCC est un outil commercial spécialisé et efficace. À l'instar de tous les éléments d'Équipe Canada, on attend à ce qu'elle contribue aux objectifs d'augmentation des exportations du Canada et du nombre des sociétés qu'elle aide à exporter, particulièrement dans la catégorie des PME.

La clé de la maximisation de cette contribution est d'assurer que les structures de gouvernement de la Corporation permettent l'établissement, la mesure et la correction, si nécessaire, du rendement de la société.

Un Conseil d'administration efficace suit et évalue les stratégies et les priorités de la Corporation, approuve l'infrastructure de gestion du risque au sein de laquelle la Corporation exerce son mandat, approuve le Plan de la Corporation et tient la direction responsable du rendement de la Corporation par l'entremise du poste de Chef de la direction.

La Corporation examine ses pratiques en fonction des directives gouvernementales de 1996 sur le gouvernement des sociétés d'État. Cet examen lui permettra d'évaluer dans quelle mesure elle se conforme à ces lignes directrices, de s'assurer que le Conseil d'administration remplit les obligations qui y sont décrites et de déceler tous les écarts entre les lignes directrices et les pratiques courantes. En 1998-1999, des recommandations sur ces points seront soumises au Ministère pour fin d'étude; elles viseront à faire en sorte que les pratiques de gestion générale de la CCC lui permettront de continuer de répondre aux défis et de s'adapter aux changements du milieu international des affaires.

et le jumelage des soumissions ainsi que les ventes internationales de gouvernement à gouvernement. Alors que le PPP n'était qu'un petit programme relativement nouveau et encore peu utilisé, il a reçu la meilleure évaluation générale de tous les services avec plus de 90 p. 100 des répondants lui attribuant les deux cotes les plus hautes («excellent» et «très bon»). Cela reflète la réaction positive des petites entreprises à toutes les parties du sondage. Ce sont les lions de dollars par année qui ont toujours attribué les meilleures cotes à la CCC.

Lorsqu'on leur a demandé si la mise en place du recouvrement des coûts sur les services facultatifs de la CCC avait eu un effet sur leur utilisation des ces services, 4 p. 100 seulement des répondants ont indiqué un grand effet, 10 p. 100 un certain effet et 81 p. 100 aucun effet.

Dans le cadre de son étude, la CCC a également posé des questions à des sociétés vendant à des gouvernements étrangers mais sans utiliser les services de la CCC. De façon générale, ces sociétés ont précisé qu'elles étaient moins susceptibles d'avoir recours à des organismes gouvernementaux pour les assister dans leurs efforts d'exportation et que leur sphère d'action était plus vaste (22 p. 100 en Afrique et au Proche-orient, par exemple). Elles partageaient l'avis des clients de la CCC sur la nature et l'importance des problèmes qu'elles rencontraient.

Si 60 p. 100 des non-utilisateurs des services de la CCC connaissaient l'existence de ses services, une augmentation importante par rapport aux 12 p. 100 relevés lors du dernier sondage, ils comprenaient mal les circonstances dans lesquelles la CCC pourrait les aider.

Servir les clients

LES EXPORTATEURS CLASSENT LA CCC AU PREMIER RANG POUR LA VALEUR GÉNÉRALE

Le rôle commercial de la CCC est unique en ce sens qu'il revêt un caractère d'indépendance par rapport tant à l'acheteur étranger qu'à l'exportateur canadien. La Corporation est efficace car les acheteurs étrangers respectent ses réalisations. Ils savent que la caution de la CCC n'est pas automatique mais reflète une évaluation détaillée et juste des capacités de l'exportateur. Cela accroît la crédibilité de l'exportateur aux yeux de l'acheteur qui, à son tour, est prêt à traiter à de meilleures conditions. Néanmoins cela peut créer des frictions avec les clients canadiens. Le sondage de satisfaction que la CCC effectue chaque année auprès de ses clients permet de vérifier si elle répond aux préoccupations et besoins des exportateurs canadiens.

Les exportateurs, quand on leur a demandé d'évaluer les services de la CCC ainsi qu'un certain nombre d'autres sources d'assistance commerciales, publiques et privées, qu'ils ont utilisées au cours de l'année écoulée, ont discerné la meilleure note à la CCC, soit 67 p. 100 la cotant «excellente» ou «très bonne» et un autre 26 p. 100 la considérant «bonne».

La CCC a également reçu de très bonnes notes pour l'importance qu'elle accord à ses clients et la forte conservation de sa clientèle.

Huit répondants sur dix ont déclaré qu'ils recommanderaient la CCC à des collègues du milieu des affaires ou à des associations. Une large majorité (84 p. 100) continueraient à utiliser les services de la CCC au cours de l'année à venir. Presque la moitié a déclaré vouloir augmenter le nombre d'affaires traitées par l'entremise de la CCC dans l'année à venir.

Nombre de fournisseurs faisant affaires avec la CCC



Les exportateurs de la CCC recherchent des débouchés dans le secteur public à l'échelle mondiale. Tandis que 80 p. 100 vendent au gouvernement des États-Unis, 39 p. 100 sont également actifs en Europe occidentale, 34 p. 100 dans la région Asie-Pacifique et 31 p. 100 en Amérique latine. De ce nombre, 15 p. 100 ont déclaré avoir développé de nouveaux marchés américains dans le secteur public au cours de l'année dernière, 12 p. 100 en Europe occidentale et 10 p. 100 tant en Asie-Pacifique qu'en Amérique latine. Les problèmes que les exportateurs mentionnent le plus souvent en rapport avec la vente aux gouvernements étrangers sont la puissance de la concurrence (63 p. 100), la bureaucratie (63 p. 100) et le temps limité pour saisir les débouchés (52 p. 100). Les services les plus connus et les plus utilisés de la CCC étaient la négociation de contrats, les ventes au Département de la défense des États-Unis, la fourniture de débouchés

Aux yeux des exportateurs, le fait que la CCC règle promptement les fournisseurs dès qu'elle reçoit les fonds des clients étrangers conformément aux conditions du contrat, constitue un atout essentiel.

Temps nécessaire pour effectuer les paiements aux exportateurs

Norme de la CCC	1997-1998 réel	1998-1999 visé
	30 jours	30 jours

Aux yeux des exportateurs, le fait que la CCC règle promptement les comptes des fournisseurs dès qu'elle reçoit les fonds des clients étrangers conformément aux conditions du contrat, constitue un atout essentiel. La CCC a toujours eu pour règle de payer les exportateurs dans les 30 jours suivant la réception d'une facture valide et a amélioré cette règle en y ajoutant une disposition qui prévoit le versement des paiements aux petites entreprises dans les 15 jours de la réception de la facture.

Coût total des opérations par rapport aux chiffres d'affaires

1997-1998 visé	1997-1998 réel	1998-1999 visé
1,2 %	1,4 %	1,3 %

En tant que société d'Etat dépendant largement des crédits parlementaires pour financer ses services, la CCC vise une cible chaque année à ses coûts de fonctionnement. En 1997-1998, cette cible était de 1,2 p. 100 de son chiffre d'affaires. La CCC a fixé cette cible en dépit du fait qu'elle prévoyait une augmentation importante de la demande de ses services et du nombre de clients qu'elle sert.

En 1997-1998, la Corporation a été en mesure de maintenir le total de ses coûts de fonctionnement à 14 millions de dollars, chiffre légèrement inférieur à ses prévisions budgétaires qui, faut-il préciser, se fondaient sur l'attente d'un chiffre d'affaires de 1,2 milliard de dollars. Pour l'exercice 1998-1999, la CCC a établi une cible de 1,3 p. 100 fondée sur un chiffre d'affaires prévu de 1,1 milliard de dollars. La Corporation est convaincue qu'elle pourra faire mieux en contrôlant les coûts tout en poursuivant la réalisation de l'objectif ambiteux qu'elle s'est donné pour son chiffre d'affaires et ses objectifs de croissance pour ses clients.

AUTRES INDICATEURS DE RENDEMENT

Coûts supplémentaires des contrats en tant que pourcentage du chiffre d'affaires

Norme de la CCC	1997-1998 réel
0,2 %	0,1 %

La norme de la CCC concernant le risque reste que les coûts supplémentaires des contrats doivent être maintenus au-dessous de 0,2 p. 100 du chiffre d'affaires. En pratique, les ressources financières limitées de la CCC l'ont forcée à maintenir ces coûts supplémentaires au-dessous de 0,1 p. 100 du chiffre d'affaires. Respecter cette norme exige un investissement important en travail, ressources, en temps consacré à chaque contrat avant et après sa signature, a son suivi et à sa gestion, et parfois même à une aide au niveau de la médiation ou de la restructuration lorsque des difficultés surgissent en cours d'exécution du contrat.

Disposition pour les créances douteuses comparées aux comptes clients

Norme de la CCC	1997-1998 réel	1998-1999 visé
1,3 %	0 %	1,3 %

La Corporation a fixé pour les créances douteuses une norme de 1,3 p. 100 des comptes clients étrangers. C'est une norme clé pour les exportateurs de la CCC. Les sondages auprès des clients indiquent que c'est parce que la CCC peut obtenir de meilleures conditions de paiement et réduire les risques de défaut de paiement par l'acheteur que les exportateurs apprécient le plus sa participation à un contrat. Le rendement de la CCC reflète ses efforts d'évaluation de la capacité de payer de l'acheteur comme ses efforts fructueux de recouvrement des créances.

Examen du rendement de la CCC

OBJECTIFS COMMERCIAUX

Dans son Plan directeur de 1997-1998, la CCC s'est fixée quatre objectifs commerciaux.

Clients servis

1996-1997 réel	1997-1998 visé	1997-1998 réel	1998-1999 visé
1 310	1 430	1 759	1 950

La CCC voulait accroître à 1 430 le nombre de sociétés travaillant activement avec elle à des possibilités d'exportation, une augmentation de 10 p. 100. Elle a terminé l'exercice avec un total de 1 759 qui représente une augmentation de 34 p. 100.

Sociétés signant un contrat

1996-1997 réel	1997-1998 visé	1997-1998 réel	1998-1999 visé
288	340	275	350

La CCC voulait que 340 sociétés travaillant avec elle signent ou modifient des contrats par son entremise. Son total final de 275 est inférieur au total de 1996-1997 car la Corporation a modifié la façon dont elle compte les exportateurs dans les cas où il y a eu fusion ou modifications du statut d'une société en tant que personne morale. Il est difficile pour la CCC de prévoir le nombre d'exportateurs qui signent un contrat au cours d'un exercice étant donné le nombre de facteurs pouvant intervenir pour déterminer le moment de la signature d'un contrat et son entrée en vigueur. Le défi pour la Corporation reste d'accroître le taux de ses exportateurs qui réussissent à conclure des ventes par son entremise et d'améliorer son suivi des débouchés qu'elle a repérés pour les sociétés canadiennes. Sous ce rapport, on a décelé un certain nombre de signes positifs chez les sociétés qui ont réalisé de nouvelles affaires par l'entremise de la CCC en 1997-1998 : environ 25 p. 100 d'entre elles étaient de nouveaux clients de la Corporation et 20 p. 100 utilisaient la CCC avec succès sur les marchés américains et internationaux.

Chiffres d'affaires

1996-1997 réel	1997-1998 visé	1997-1998 réel	1998-1999 visé
859 millions \$	1 à 1,5 milliard \$	1,020 milliard \$	1 à 1,2 milliard \$

La CCC voulait augmenter le nombre de projets de toutes tailles sur lesquelles elle travaillerait afin de porter son chiffre d'affaires à entre 1 et 1,5 milliard de dollars en valeur des commandes reçues. Elle a réalisé le chiffre d'affaires le plus élevé de son histoire — 1,020 milliard de dollars — et l'a fait en dépit du report d'un certain nombre de projets touchés par les difficultés financières éprouvées par des pays asiatiques. Ce total ne reflète pas qu'une ou deux transactions de grande taille mais bien une augmentation importante du nombre de petites et moyennes transactions sur des marchés répartis dans le monde entier. L'objectif de 1998-1999, fixé à 1 ou 1,2 milliard de dollars, reflète la part croissante que la Corporation accordera à l'élaboration d'un plus grand nombre de petits et de moyens contrats plutôt qu'à l'élaboration d'un nombre limité de projets d'envergure. Cet objectif reflète également les nouvelles priorités et les lignes temporelles de projets s'inscrivant sur quelques-uns des marchés principaux de la CCC.

Objectifs de recouvrement des coûts

1996-1997 réel	1997-1998 visé	1997-1998 réel	1998-1999 visé
1,2 million \$	2 millions \$	1,8 million \$	2,1 millions \$

Dans sa première année, la politique de recouvrement des coûts a généré 1,2 million de dollars de recettes supplémentaires. Ce chiffre a presque doublé en 1997-1998. Mais, fait plus important, le sondage sur la satisfaction conduit auprès des clients de la CCC a montré que 81 p. 100 des utilisateurs de la CCC pensaient que la mise en place d'un régime de recouvrement des coûts sur les services facultatifs de la CCC n'avait pas affecté leur utilisation de ces services.

«**N**ous étions excités à la perspective de vendre sur un marché étranger, mais nous n'avions absolument aucune expérience dans ce domaine. La participation de la CCC a fourni le genre de crédibilité dont l'entreprise avait besoin.»

Il y a deux ans, **Heron Technology Corporation** n'avait jamais vendu ses produits à l'extérieur

de l'Ontario. Aujourd'hui, le développeur de logiciels de Markham, Ontario, a réussi à installer son logiciel d'administration des patients dans cinq hôpitaux de la Jamaïque. La CCC a aidé à mettre au point le contrat, à conseiller le client sur les modalités de remboursement et a organisé le paiement progressif. Maintenant, l'entreprise Heron Technology Corp. a la reconnaissance dont elle a besoin pour conclure des ventes dans le monde entier.

Ron Hebert,
Président de Heron Technology Corp.
(Markham (Ontario))

R. Hebert



et établi un programme de diffusion auprès des organismes acheteurs des États-Unis...

La Corporation a accru sa participation aux missions commerciales

Les sondages de la CCC indiquent que les exportateurs n'utilisant pas actuellement ses services sont susceptibles de contacter d'autres organismes publics afin d'obtenir le genre de services qu'offre la CCC. Cela souligne l'importance des relations de la CCC avec les autres membres d'équipe Canada. Au cours de l'année écoulée, la Corporation a mis en place des processus de référence pour faciliter le transfert d'exportateurs au ministère des Affaires étrangères et du Commerce international ou à la Société pour l'expansion des exportations.

L'approche d'équipe Canada du gouvernement a été extrêmement utile pour des organismes de moindre taille tels que la CCC. La concentration du gouvernement sur les exportations comme moyen de créer des emplois a accru l'éventail et le nombre d'activités liées au commerce et à l'établissement de liens beaucoup plus forts entre tous les ministères et organismes occupant de commerce. La CCC participe activement à l'équipe consultative des projets d'immobilisation conçue pour accroître la participation canadienne aux projets par-rainés par les IFI, aux équipes sectorielles nationales au sein desquelles elle joue un rôle depuis longtemps ou un rôle émergent ainsi qu'à toutes les équipes régionales.

La Corporation a accru sa participation aux missions

commerciales et établi un programme de diffusion auprès des organismes acheteurs des États-Unis qui formera la

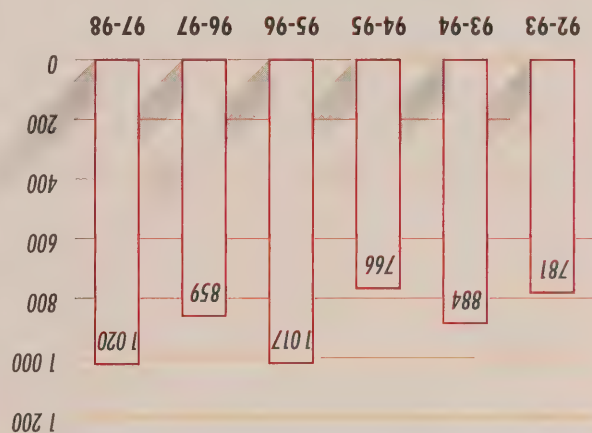
base d'un programme permettant de mettre les four-

nisseurs canadiens directement en rapport avec des

acheteurs américains éventuels.

Lors de la définition de ses objectifs commerciaux, la Corporation ne pouvait qu'anticiper des crédits parlemens-taires stables. En même temps, les PME, dont les ventes exigent que l'on y consacre plus de temps et de ressources que celles des exportateurs plus chevronnés, utilisaient les services de la CCC en nombre grandissant. La capacité de la Corporation de répondre à une demande croissante de ses services allait dépendre de sa capacité d'offrir une valeur que les sociétés seraient de plus en plus prêtes à payer. La mise en place réussie d'une politique de recouvrement des coûts devenait une priorité clé. Après consultations de ses clients, la CCC a mis en place une politique dans ce sens pour tous les domaines où l'exportateur et l'acheteur étranger choisissaient tout à fait librement d'avoir recours à ses services. La politique tient également compte des problèmes spécifiques aux PME, plus particulièrement celui des sources limitées de financement dont elles disposent pour se développer. La CCC a offert aux PME des conditions favorables pour s'assurer qu'elle ne décourageait pas celles qui viendraient trapper à sa porte la première fois.

LA CCC ET LE RECouvreMENT DES COÛTS



Valeur des commandes reçues
en millions de dollars

LA CCC ET ÉQUIPE CANADA

LE PPP : TROUVER DES FONDS DE ROULEMENT POUR LES PETITS EXPORTATEURS

Cette année marque la troisième année complète de fonctionnement du Programme de paiements progressifs (PPP). Il a généré un chiffre d'affaires de 33 millions de dollars soit 58 contrats et modifications de contrats. Alors que le volume n'a été que la moitié de celui réalisé en 1996-1997, le nombre d'inscriptions et de transactions traitées est resté le même, indiquant que le programme est de plus en plus centré sur les petites entreprises qui présentent des demandes de crédit de moindre envergure et qui, dans nombre de cas, exportent pour la première fois.

Le programme aide les PME à accéder à de nouvelles sources de préfinancement grâce au savoir-faire de la CCC dans le domaine de l'évaluation des projets internationaux et de la gestion des contrats combinée aux capacités de prêt des institutions financières canadiennes. Le programme cible les PME qui exportent mais qui ne sont pas en mesure de négocier des paiements progressifs avec leurs acheteurs et qui ne peuvent obtenir au Canada les crédits dont elles ont besoin pour exporter.

En utilisant le PPP, plus de 120 sociétés ont obtenu des capitaux des banques qui leur ont permis de réaliser 150 millions de dollars de ventes depuis 1995. La plupart de ces ventes n'auraient pas été financées et ne seraient sans doute pas matérialisées sans ce programme.

Le PPP fonctionne en collaboration avec la Banque de Montréal, la Banque de Nouvelle-Écosse, la Caisse centrale Desjardins, la Banque canadienne impériale de commerce, la Banque Hongkong du Canada, la Banque nationale du Canada, la Banque royale du Canada, la Société Générale, la Banque Toronto Dominion, la Banque nationale de Paris et la So-Use Credit Union.

Les acheteurs étrangers
de la CCC apprécient
grandement la perfor-
mance impressionnante de
cette dernière en matière
de minimisation des
pertes dues aux contrats.

GESTION DU RISQUE

Le nombre d'institutions financières y participant a donné au programme une véritable envergure nationale et a permis des ventes dans plus de 30 pays. Pour 1998-1999, la CCC possède dans ses dossiers 20 cas potentiels déjà approuvés par elle ou en cours d'examen, qui totalisent 35 millions de dollars. La Corporation compte bien que le programme génèrera de 50 à 75 millions de dollars de chiffre d'affaires l'année prochaine.

La CCC n'est ni une institution financière ni une compagnie d'assurance. Elle aide à faciliter et à structurer des ventes et elle a tiré de ce travail un vaste éventail de compétences en matière de passation de contrats internationaux. Contrairement à une institution financière qui gère les risques financiers ou ceux attachés à l'acheteur sur la base du portefeuille, la CCC gère le risque lié à la réalisation du projet cas par cas. Son expérience et ses pratiques lui dictent de gérer prudemment ses contrats, conservant les coûts supplémentaires attachés aux contrats à un niveau inférieur à un dixième de un pour cent de son chiffre d'affaires. Pour les acheteurs du secteur public dont les programmes ont des délais peu flexibles et qui sont préoccupés par les risques liés à la réalisation, la performance de la CCC accroit instantanément la crédibilité d'un exportateur à leurs yeux. Cela aboutit souvent à l'obtention par l'exportateur de conditions contractuelles beaucoup plus souples et avantageuses.

Au cours de l'année 1996-1997, en réponse aux demandes de son milieu d'affaire changeant et aux recommandations de ses vérificateurs internes et du Vérificateur général, la CCC a entrepris un examen en profondeur de sa structure de gestion du risque. En 1997-1998, la Corporation a terminé cet examen, déterminé les brèches et les a colmatées afin de garantir que ses politiques, ses processus et ses contrôles seraient appliqués uniformément chez elle. La nouvelle infrastructure de gestion du risque définit clairement les degrés d'exposition au risque que la CCC est prête à accepter afin d'accroître ses affaires tout en conservant les pertes éventuelles liées à des contrats dans des limites préétablies et que le gouvernement du Canada jugera acceptables.

Les acheteurs étrangers de la CCC apprécient grandement la performance impressionnante de cette dernière en matière de minimisation des pertes dues aux contrats. Cette performance est attribuable à l'examen précontractuel efficace des capacités techniques, financières et administratives de l'exportateur en fonction des risques particuliers du contrat à l'étude. En même temps, la gestion postcontractuelle diligente de la CCC atténue les pertes qui peuvent se produire.

Begins Here.

AEROBIC

Aerobic Technologies est allée

de l'avant cette année avec la CCC pour garantir un contrat visant à fournir de l'équipement de conditionnement physique à BusyBody Fitness Warehouse, le plus grand détaillant d'équipement de conditionnement physique aux États-Unis. Au cours des quatre dernières années, la CCC a aidé cet exportateur de Ste-Foy, au Québec, à établir la production, à exécuter des contrats encore plus facilement et à corriger les lacunes de production de manière à devenir un fournisseur autonome. Aerobic Technologies est devenu une entreprise d'exportation florissante sous l'aile de la CCC.



Nat Findlay,
président Aerobic Technologies
Ste-Foy (Québec)

«La CCC nous a aidé à passer d'une petite compagnie cherchant de l'aide pour ses ventes à l'exportation à décrochant des contrats à l'étranger. La CCC nous a vraiment ouvert des portes. Maintenant, nous élargissons nos produits et nos marchés d'exportation.»

nouveau client de la CCC, *Uniron Industries Limited* (Kitchener, Ontario) a, lui, utilisé la CCC pour éliminer les exigences de caution attachées à une vente d'équipement auditif au Commission de réhabilitation nationale (Dublin, Irlande). Quant à *Delcan International Corporation* (North York, Ontario), elle a eu recours aux services de passation de contrats de la CCC pour conclure un marché qui en fait le fournisseur exclusif d'un système de gestion de la circulation de 8 millions de dollars à la ville de Caracas au Venezuela. *AGRA International Limited* (Montréal, Québec) a, pour sa part, conclu un contrat d'exclusivité semblable pour terminer les études de faisabilité concernant la création d'un réservoir et le reboisement à l'intention d'organismes colombiens. Ce sont habituellement les petites entreprises clientes de la CCC qui lui décernent les meilleures cotes de satisfaction. Pour les nouveaux exportateurs de moindre taille, la CCC offre un éventail d'expertise et de compétences qui ne sont tout simplement pas disponibles auprès d'aucune autre source unique à un prix raisonnable. On trouve parmi les nouveaux exportateurs cette année *Heron Technology* (Markham, Ontario) qui a réalisé sa toute première vente à l'étranger d'un système de gestion d'hôpital au Ministère de la Santé de la Jamaïque. Parmi les autres nouveaux utilisateurs de la CCC il y a eu *Aklak Inc.* (Inuvik, Territoires du Nord-Ouest),

Canadian Helicopters Limited (Edmonton, Alberta), *Dependable Turbines Ltd.* (Port Moody, C.-B.), *Gasguard Safety Systems Inc.* (Coquitlam, C.-B.), *Pacific Bio Energy Corporation* (Delta, C.-B.), *Import-Export Alouache Corporation* (Montréal, Québec) et *Lalonde Electronique Inc.* (Hull, Québec). Pour croître l'industrie canadienne de la défense doit dorénavent se tourner vers les exportations et s'ouvrir aux marchés commerciaux. Pour beaucoup de sociétés de cette industrie, le premier pas se fera vers le marché américain, mais leur succès à long terme nécessitera des plans d'activités visant le marché mondiale et dépendra de leur capacité d'accéder à tous les leviers concurrentiels qui se présenteront à elles et de les utiliser correctement. La CCC est particulièrement bien placée pour aider cette industrie dans son entreprise d'exportation. Par ses services personnalisés et son expérience sans égale, la CCC aide déjà les sociétés canadiennes actives sur le marché américain à exporter dans le monde. Une société sur cinq qui a signé des contrats aux États-Unis l'an dernier, a utilisé la CCC pour passer des contrats dans un autre pays. L'objectif de la CCC est d'accroître ce taux à 50 p. 100 dans les cinq prochaines années.

L'expérience pratique de travail de la CCC a aidé la compagnie **Orgues Létourneau** à décrocher un contrat prestigieux consistant à construire un nouveau grand orgue pour la Tour de Londres. La CCC a mis au point les détails de sorte que Fernand Létourneau puisse faire résonner la musique dans la tour millénaire pendant des années à venir. Le soin apporté par la CCC associé au travail bien fait et à la réputation supérieure de Fernand Létourneau a contribué à faire en sorte qu'il puisse facilement faire de la musique à Londres.

«Je ne peux tout simplement pas m'imaginer de faire un tel volume d'affaires, et de bien le faire, sans la CCC. Ils nous ont aidé à décrocher le contrat et à battre, du même coût, des concurrents établis. Maintenant, lorsque les gens visiteront la Tour de Londres, ils entendront notre orgue — ça, c'est de la musique à mes oreilles.»

Fernand Létourneau

Fernand Létourneau,
président, Orgues Létourneau
Saint-Hyacinthe (Québec)



étrangers et du Commerce international en vue de déterminer si les mêmes compétences peuvent être appliquées aux possibilités de marchés de la Banque mondiale et d'autres institutions financières internationales.

TRouver DE NOUVEaux MArChés PAR L'ENTREMISE DE LA CCC

L'intérêt des acheteurs du secteur public à trouver des fournisseurs à l'échelon mondial afin d'obtenir les produits les meilleures et les plus rentables se reflète dans le nombre des transactions que la CCC a réalisé cette année. Dans son travail outre-mer, la CCC taille ses services sur mesure pour amener l'acheteur et l'exportateur à s'entendre sur un marché.

La connaissance et le savoir-faire des chargés de contrats de la CCC fournissent aux exportateurs une aide pratique qui est particulièrement précieuse aux entreprises de plus petite taille, aux nouveaux exportateurs et à ceux qui veulent diversifier leurs marchés.

En tant qu'organisme gouvernemental aidant à la réalisation de ventes destinées aux gouvernements d'autres pays, les compétences de la CCC sont sans pareilles. Bien que ces marchés soient plus ouverts que jamais, ils peuvent encore être difficiles d'accès et intimidants pour de nombreux exportateurs. La CCC offre, sous un même toit, le savoir-faire en matière de contrats et les conseils pratiques ainsi que l'expérience dont les exportateurs ont besoin pour réussir. L'approche unique et innovatrice que la CCC applique à la conclusion de transactions d'exportations se reflète dans l'éventail des sociétés, des produits et des acheteurs dont elle s'occupe à l'échelon international.

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les compétences de la CCC sont sans pareilles.

La CCC offre, sous un même toit, le **savoir-faire** en matière de contrats et les **conseils pratiques** ainsi que **l'expérience** dont les exportateurs ont

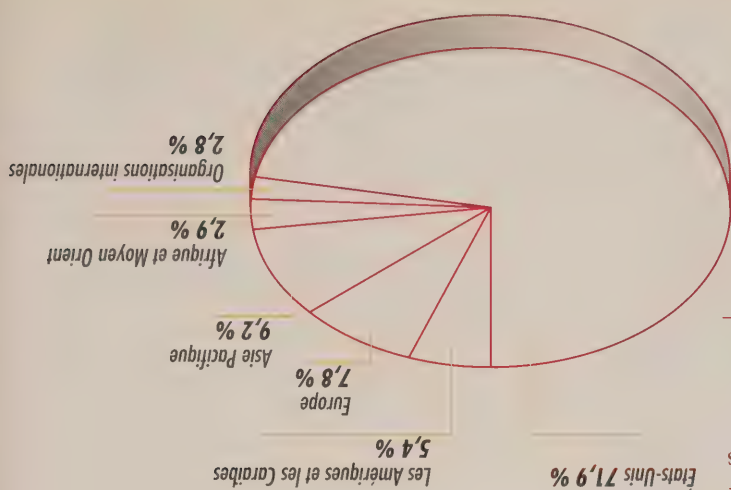
besoin pour réussir.



Opérations avec les PMF

Nombre de ces sociétés, particulièrement les PMF, qui réussissent une fois avec l'aide de la CCC, se positionnent stratégiquement chez cette dernière pour commercialiser des produits dans d'autres domaines. L'an dernier, *International Code Services* (Aurora, Ontario) a négocié avec succès trois contrats estimés à 9 millions de dollars dans trois pays européens pour fournir des systèmes de formation de pompiers. Pendant six ans, la firme *Orgues Létourneau* (Saint-Hyacinthe, Québec) spécialisée dans la construction ou la rénovation de grands orgues, a utilisé la CCC pour éviter d'onerueuses cautions de bonnes fin. Ces bons résultats se sont poursuivis cette année avec l'attribution d'un contrat pour la cathédrale St. Marys en Australie et la Chapelle royale de la Tour de Londres. *Regor* (Montréal, Québec) utilise la CCC à Cuba pour obtenir de meilleures conditions de paiement. Cette année, l'entreprise a envoyé 100 autobus usagés dans ce pays, amenant son total en trois ans à 500. D'autres sociétés ont recours à la CCC pour obtenir des conditions contractuelles meilleures que celles qu'elles seraient parvenues à obtenir seules. Un client de longue date, *Pro-Eco Limited* (Oakville, Ontario) a réussi à vendre à la Chine d'équipement industriel destiné à la production de l'acier d'une valeur de 7 millions de dollars en évitant, grâce à la CCC, les cautions de bonnes fins normalement exigées. Un

Volume commercial de la CCC par régions géographiques



Les Etats-Unis ont décidé d'éliminer les inscriptions multiples de tous les organismes acheteurs et de les remplacer par un seul registre central informatisé. Afin d'assurer que toutes les sociétés canadiennes inscrites à l'ancien système conservent leur rang dans le nouveau système, la CCC a signé, en 1997, un protocole d'entente avec les Etats-Unis qui facilitera l'inscription. Depuis lors, les sociétés canadiennes, avec l'aide de la CCC, se sont inscrites à un rythme plus rapide que les sociétés américaines sur leur propre terrain.

L'échange électronique des données (EBD) devient le moyen que préfèrent de plus en plus les Américains pour traiter avec les fournisseurs. La CCC a assumé un rôle de chef de file pour faire en sorte que les sociétés canadiennes puissent traiter avec des acheteurs américains par son entremise. Par conséquent, bien que le calendrier américain de mise en place de l'EBD change, les sociétés canadiennes peuvent répondre à toutes les commandes américaines stipulant une capacité d'EBD en passant par la CCC. La Corporation gère déjà certains contrats américains grâce à l'EBD, traitant de 250 à 275 transactions par mois.

Les Etats-Unis confient de plus en plus les achats à des sociétés privées qui agissent en tant qu'entrepreneurs principaux pour les commandes en matière de défense. Nombre de ces sociétés ne savent pas qu'elles peuvent envisager des sources d'approvisionnement canadiennes ou qu'elles peuvent avoir recours au processus prévu par l'APPD. En travaillant avec ses clients, la CCC a établi un groupe de travail pour mieux faire connaître ces faits et pour examiner la façon de promouvoir efficacement auprès des entrepreneurs principaux américains, les avantages des services de la CCC lorsque les exportateurs canadiens pourraient tirer profit de cette participation.

Les sociétés canadiennes s'intéressent de plus en plus aux débouchés commerciaux que présentent les organismes civils fédéraux aux Etats-Unis ainsi que les gouvernements des Etats et des municipalités. Au cours du dernier exercice, la CCC a fait des affaires totalisant de plus de 80 millions de dollars avec des clients autres que la défense ou la NASA, la moitié d'entre elles ayant été réalisées avec des acheteurs du secteur privé.

JUMELER LES DEBOUCHES AVEC LES CAPACITES CANADIENNES

La CCC informe les sociétés canadiennes des débouchés américains. Son outil principal d'information est une version électronique du *Commerce Business Daily* américain. Les renseignements sont filtrés et tous les appels d'offres ouverts aux sociétés canadiennes sont affichés sur le système canadien MERX. En outre, ils sont affichés sur le site web de la CCC, et ils sont accompagnés d'un moteur de recherche qui permet aux exportateurs de cibler les commandes qui les intéressent le plus.

Parce que son système d'inscription des sociétés canadiennes qui souhaitent traiter avec les Etats-Unis se fonde sur le profil que ces dernières lui ont fourni, la CCC possède un système de fichiers analytiques des fournisseurs qui permet de jumeler directement les débouchés américains avec les sociétés canadiennes ayant les compétences requises.

En 1997-1998, ce système de jumelage des soumissions a produit les résultats suivants :

- 1 312 sociétés canadiennes ont été informées de 15 004 possibilités de soumission aux Etats-Unis;
- cette activité a engendré 663 demandes de soumissions de sociétés évaluées à 766 millions de dollars;
- ces soumissions ont produit des marchés évalués à 85 millions de dollars.

Le travail de la CCC en matière de jumelage des soumissions a augmenté de façon importante le nombre de propositions présentées au marché gouvernemental américain. Dans l'année à venir, la CCC travaillera à augmenter le ratio de conversion des soumissions en contrats signés et couvrera en collaboration avec ses partenaires du ministère des Affaires

« Lorsque la marine américaine a exercé une pression, la CCC nous a cédé à ne pas nous soucier des détails. La CCC nous a donné la confiance dont nous avions besoin pour faire concurrence sur le marché international. »



Terry Thompson,
spécialiste des ventes militaires
Ceanic Hard Suits Inc.
Vancouver (Colombie-britannique)

La persévérance est synonyme de possibilités pour **Ceanic Hard Suits Inc.**

de Vancouver, fabriquant d'équipements de plongée sous-marine d'une atmosphère perfectionnés. La CCC aide Ceanic Hard Suits Inc. à percer le marché de la marine américaine il y a cinq ans. Maintenant, en collaboration avec la CCC, la compagnie a réalisé plus de 20 millions de dollars en ventes. Aujourd'hui, la marine américaine est la pierre angulaire de cette entreprise et la CCC est une partie importante des exportations de Ceanic Hard Suits Inc.

CONSERVER UNE OUVERTURE SUR LES ÉTATS-UNIS

En 1997-1998, la CCC a reçu, de ses plus importants clients, le Département de la défense des États-Unis et la National Aeronautic and Space Administration (NASA), des commandes d'une valeur de 663 millions de dollars. La plupart de ces contrats portaient sur la fourniture de biens et services à des fins civiles.

Depuis 1956, la CCC a facilité les ventes dans ces marchés par-ticuliers en vertu de l'Accord sur le partage de la production de défense (APPD) et de l'Accord sur le partage du développe-ment pour la défense (APPD), conclus entre le Canada et les États-Unis, qui favorisent la passation de contrats de recherche et développement parraïnés par les deux gouvernements.

Ventes par catégorie de produits au avril 1997 – 31 mars 1998

Véhicules, rail	39,5 %
Aérospatiale	29,1 %
Services	7,3 %
Navires, marine	5,7 %
Industrie, construction	5,1 %
Électricité	4,6 %
Aliments, vêtements	1,4 %
Carburant, lubrifiants	1,1 %
Hôpitaux, laboratoire	1,0 %
Armements	0,8 %
Aides à la formation	0,6 %
Autres	3,8 %

En 1993, le gouvernement des É.-U. a lancé un programme de réforme de l'approvisionnement qui a sensiblement simplifié son processus d'achat. Les exportateurs canadiens peuvent tirer grandement parti de ces changements et en profiter pour saisir une part plus importante des possibilités commerciales aux États-Unis, mais ils ne réussiront à le faire que s'ils suivent l'évolution de la réforme américaine. C'est pourquoi la CCC s'est donné comme responsabilité et objectif principaux d'être la meilleure source d'information pour les exportateurs canadiens au sujet des changements qui surviennent aux États-Unis et assurer que l'APPD et l'APPD continuent de servir les intérêts de nos clients américains. Dans le but de conserver le plus grand accès à ces marchés spécialisés aux É.-U., dont jouissent nos entreprises canadiennes, la CCC a pris deux engagements: continuer d'offrir à ses clients améri- cains les services de passation et de gestion de contrats de qualité qu'ils ont l'habitude de recevoir et suivre de près la réforme du système d'approvisionnement des É.-U. afin de maintenir l'accès du Canada au marché américain.

À la fin du compte, les sociétés canadiennes vont tirer parti de la simplification des méthodes d'achat. Le défi est de faire en sorte que les Canadiens conservent leur position favorable lors de la mise en œuvre des nouvelles règles.

En 1997-1998, la CCC a continué son travail d'adaptation à l'évolution de trois domaines clés :

- Le registre central des entrepreneurs
- L'échange électronique des données (EED)
- La facilitation des achats par les principaux entrepreneurs américains d'articles répondant aux besoins en matière de défense

Le contexte mondial

7

Les facteurs externes qui se sont répercutés sur les résultats commerciaux de la Corporation au cours du dernier exercice incluent :

- Le maintien du rendement économique sain du Canada et la force du dollar américain face au dollar canadien ont permis à la poussée soudaine des exportations vers les États-Unis de continuer et ont augmenté le nombre de sociétés canadiennes intéressées par les débouchés chez notre voisin du Sud.

- Le plus important client de la CCC, le département de la défense des États-Unis a poursuivi la modification complète de son système d'approvisionnement créant pour les sociétés canadiennes intéressées par ce marché tant une menace stratégique qu'un débouché stratégique.

- La crise monétaire en Asie de l'est a entraîné une baisse majeure des monnaies de ces pays et des coupures budgétaires et remaniements des priorités de dépense gouvernementales ce qui a diminué les activités d'exportation de la CCC dans la région, particulièrement en Asie du sud-est.

Les économies de l'Amérique latine continuent de s'orienter vers des systèmes plus ouverts, et basés sur l'économie de marché, qui offrent de bons débouchés aux exportateurs canadiens agressifs et spécialisés dans des marchés où les mécanismes de la CCC ont stimulé l'intérêt des acheteurs — en 1997-1998, quatre des dix plus importants marchés de la CCC se trouvaient en Amérique latine.

- Les acheteurs du secteur public ont cherché des fournisseurs dans le monde entier afin d'obtenir les produits et services les meilleurs et les plus rentables en réponse à leurs besoins. C'est là une évolution qui est facilitée par la libéralisation du commerce international mais qui repose aussi sur le besoin de construire des infrastructures nationales efficaces tout en contrôlant le niveau des dépenses publiques.

- Les exportateurs et leurs clients à l'étranger profitent des moyens de communications de pointe et des services bancaires mondiaux qui leur fournissent de meilleurs renseignements les uns sur les autres. Cependant, les communications et les services bancaires ne protègent pas les acheteurs étrangers contre les risques liés à la performance technique ou administrative, qui, de plus en plus, préoccupent les acheteurs du secteur public qui ont des commandes technologiquement complexes à faire exécuter suivant des échéanciers rigides.

C'est aux sociétés qui sont en mesure de suivre ces tendances que la CCC peut apporter le plus grâce à son expérience et à ses compétences. De nouveaux marchés s'ouvrent aux exportateurs qui peuvent adapter leurs produits aux besoins spécialisés des acheteurs du secteur public. En même temps, plus le produit est unique et spécialisé, plus l'acheteur se préoccupe des risques liés à l'exécution du contrat et donc plus grandes sont les chances que la CCC doit intervenir.

Global Precast est une entreprise familiale qui grandit à pas de géant. En collaboration avec la CCC, l'exportateur de Maple, en Ontario, a trouvé un partenaire qui a renforcé son statut en tant que fournisseur responsable, a aidé à doubler ses ventes, ce qui lui a donc permis de quadrupler le nombre de ses employés. L'équipe, composée de l'époux et de l'épouse, a approché la CCC pour les aider à négocier des contrats complexes et, avec l'aide de la CCC, Global a pu renforcer son statut en tant que fournisseur et fournir la crédibilité requise pour permettre aux contrats d'être exécutés rapidement et sans heurt. Maintenant, Global Precast peut obtenir des contrats aussi solides que les panneaux en béton qu'ils vendent.

Michael et Martilda Cannone,
président et secrétaire-trésorière de Global Precast
Maple (Ontario)

«La Corporation commerciale canadienne a été un merveilleux partenaire pour nous au cours des dernières années. Notre compagnie a pris de l'expansion et nos ventes ont augmenté de façon importante à cause de la CCC. Je sais que nous n'y serions pas parvenus sans leur aide.»

M. Cannone

M. Cannone



Quelle que soit leur taille, les entreprises canadiennes considèrent la CCC comme le membre de l'équipe dont elles ont besoin pour sceller l'affaire. L'histoire de chaque entreprise canadienne utilisant les services de la CCC est unique tout comme le rôle joué par la CCC dans leur histoire. La CCC peut aider à éliminer les exigences de caution de bonne fin, permettant à une entreprise familiale québécoise d'artisans de décrocher un contrat pour construire et remettre en état le grand orgue de la Chapelle royale de la Tour de Londres. Elle peut travailler pendant plus de trois ans avec un fabricant de costumes de plongée profonde de pointe de la Colombie-Britannique pour pénétrer une première fois le marché de la marine américaine, puis faire de ce marché la pierre angulaire, d'une valeur de 20 millions de dollars, de cette entreprise. La CCC peut aussi fournir les connaissances et la confiance nécessaires à une petite entreprise ontarienne de haute technologie, lui permettant d'obtenir sa première vente à l'exportation d'un système de gestion des patients au ministère de la Santé de la Jamaïque, puis de négocier de meilleures conditions de paiement. Dans ce rapport annuel, vous en apprendrez plus sur ces sociétés, et d'autres encore, pour lesquelles la CCC a fait la différence dans le développement de leurs exportations. Ses capacités, spécialisées et uniques au gouvernement, sont personnalisées pour répondre à la conjoncture commerciale et aux besoins particuliers de chaque exportateur qu'elle sert.

Pour ceux d'entre nous travaillant dans l'environnement commercial au sein d'un gouvernement, la réussite de la CCC souligne ce que nous savions depuis longtemps: la CCC est l'un des meilleurs outils à la disposition du gouvernement pour atteindre ses objectifs commerciaux d'augmentation des exportations et du nombre de sociétés exportatrices particulièrement parmi les petites et moyennes entreprises.

Dans sa troisième année de fonctionnement, le Programme de paiements progressifs (PPP) offert en collaboration avec les institutions financières canadiennes continue à fournir à de nombreuses PME le genre d'assistance pratique en matière de passation de contrats dont elles ont besoin pour leur première expérience d'exportation. Le PPP jumelle les capacités de gestion des contrats de la CCC avec les capacités de prêt commercial des banques afin de fournir aux PME l'accès à des sources supplémentaires de préfinancement pour les ventes à l'exportation. Opérant maintenant en partenariat avec 11 institutions financières, le PPP a amélioré le rayonnement de la CCC auprès de ses partenaires et les a incités à solliciter de nouveau ses connaissances spécialisées en matière de gestion de contrats pour des opérations hors du PPP lui-même, mais pour lesquelles une institution financière

recherche des compétences spécialisées en matière de passation de contrats qui l'aideront à surveiller des opérations présentant des risques particuliers. Dans ces cas, la participation de la CCC facilite des transactions qui, sans elle, ne se seraient sans doute pas matérialisées.

Je remercie les employés de la CCC pour une année exceptionnelle. Les résultats auxquels ils sont parvenus soulignent leur engagement non seulement à servir nos clients, mais à bien les servir. La CCC a établi de nouveaux seuils de rendement pour elle-même tout en se conformant strictement aux pratiques de gestion prudente du risque auxquelles s'attendent le gouvernement et le public canadien. C'est une réussite dont nous pouvons tous être fiers à juste titre.



Robert G. Wright
Président

juin 1998

L'excellence des résultats de la CCC n'est pas le produit de la chance. Elle reflète le nombre croissant d'exportateurs canadiens qui ont découvert que la CCC est un partenaire précieux et efficace pour conclure des affaires dans des marchés difficiles.

Message du président

Cette année encore, dans son sondage annuel mesurant le degré de satisfaction des clients, la CCC lui ont décerné leur plus haute note pour la valeur générale parmi les sources d'assistance commerciale qu'ils utilisent.

Dans le même ordre d'idées, la CCC a considérablement augmenté son travail international. Cela a attiré beaucoup de nouveaux exportateurs tout en incitant un grand nombre de clients existants qui traitent avec les États-Unis à explorer les débouchés offerts par les marchés d'outre-mer. La CCC et ces exportateurs ont ensemble réalisé un chiffre d'affaires total impressionnant de presque 300 millions de dollars, qui représente un nombre record de ventes avec un nombre record de sociétés dans un nombre record de marchés. La plupart de ces sociétés sont des PME.

Cette année encore, dans son sondage annuel mesurant le degré de satisfaction des clients, les clients de la CCC lui ont décerné leur plus haute note pour la valeur générale parmi les sources d'assistance commerciale qu'ils utilisent.

L'excellence des résultats de la CCC n'est pas le produit de la chance. Elle reflète le nombre croissant d'exportateurs canadiens qui ont découvert que la CCC est un partenaire précieux et efficace pour conclure des affaires dans des marchés difficiles.

ont battu leurs propres records.

E

Un total historique de 1 759 sociétés canadiennes ont accédé aux services de la CCC au cours de l'année. Cela représente une augmentation de 34 p. 100 par rapport à l'année précédente et est bien supérieure à l'objectif de 1 430 que la CCC s'était fixé. En outre, plus de 75 p. 100 de ces sociétés étaient petites ou moyennes (chiffre d'affaires inférieur à 25 millions de dollars).

Parmi tous ces exportateurs, 275 ont signé de nouveaux contrats ou des modifications à des contrats avec des acheteurs étrangers par l'entremise de la Corporation. Cette activité a permis à la Corporation d'atteindre le plus haut chiffre d'affaires qu'elle ait jamais atteint : 1,020 milliard de dollars.

En travaillant de pair avec les exportateurs canadiens, la CCC a réussi à effectuer des ventes dans 48 pays, un nouveau record. Le rôle particulier de la CCC au niveau des exportations vers les États-Unis dans les domaines de la défense et de l'aérospatial continue de s'étendre. Il constitue 65 p. 100 de la valeur des commandes reçues cette année par la CCC. Ce rôle est mandaté par l'Accord sur le partage de la production de défense (APRD) signé entre le Canada et les États-Unis. Cet ensemble de plus de 175 accords offre aux sociétés canadiennes, par l'intermédiaire de la CCC, un accès plus grand aux débouchés fédéraux américains. Cet accès est meilleur que celui offert par l'ALF ou l'ALÉNA.

Le défi pour la CCC est de conserver et d'améliorer cette porte d'accès. La Corporation continue à assurer que les sociétés canadiennes sont au courant de l'évolution des pratiques d'approvisionnement et des technologies dans le système d'acquisitions américain. La CCC s'efforce d'amener plus de débouchés américains à plus d'entreprises canadiennes par le biais de son Service de jumelage des soumissions. Elle s'est engagée à faire une utilisation plus efficace de la technologie afin de permettre une inscription et une mise-à-jour en ligne des fichiers des profils des entreprises qui lui permettra de mieux jumeler plus efficacement les capacités canadiennes avec les exigences américaines.

LA STRATÉGIE GÉNÉRALE DE LA CCC

Depuis 1995, la CCC a poursuivi sans relâche un programme pour augmenter sa participation au plan commercial du gouvernement. Ce programme est basé sur ce qui suit :

- **Sensibilisation** – faire connaître les services de la CCC aux exportateurs et à ceux qui sont chargés de les conseiller;
- **Développement de l'entreprise** – renforcer les réseaux de la CCC en collaboration avec les exportateurs et les acheteurs étrangers afin de faire prospérer l'entreprise de façon proactive;
- **Nouveaux services améliorés** – développer, améliorer et offrir de nouveaux services qui utilisent les capacités uniques de la CCC pour répondre aux besoins changeants des exportateurs;
- **Capacité de réponse** – garantir que la CCC peut répondre à une demande accrue de ses services en réduisant les coûts, en réalisant des économies et en mettant en place un système de recouvrement des coûts là où cela est possible.

Ces quatre points ont donné une assise solide au plan d'activités 1997-1998 de la Corporation. Tous ses résultats commerciaux ont comporté, dans une certaine mesure, chacun de ces éléments. Qu'elle se soit concentrée sur la croissance dans les marchés qui lui sont les plus familiers ou qu'elle ait appliqué posément sa politique de recouvrement des coûts à la majorité de ses services facultatifs, toutes les initiatives principales de la CCC ont été liées à ces quatre points.

Ce plan agressif représente un engagement majeur en temps et en ressources pour développer des systèmes au sein de la CCC, établir des indicateurs et des mesures du rendement et pour gérer efficacement les ressources humaines pour que la Corporation soit véritablement centrée sur le client.

Ce travail permettra à la Corporation d'évaluer encore plus efficacement son rendement par rapport à ses objectifs dans les prochaines années.

RÔLE ET OBJECTIFS DE LA CORPORATION

La Corporation commerciale canadienne (CCC) est une société d'État détenue en propriété exclusive par le gouvernement du Canada. Elle possède un vaste mandat législatif d'assistance au développement du commerce entre le Canada et les autres pays. Depuis plus de 52 ans, la CCC est un outil de commerce efficace pour le Canada, aidant les exportateurs à remporter et à conclure des ventes dans des marchés difficiles qui sont principalement ceux des gouvernements étrangers et des organisations internationales. La CCC offre aux exportateurs canadiens un vaste éventail de services de passation de contrats qui améliorent leur accès aux débouchés du marché. La participation de la CCC fournit à l'acheteur étranger une garantie unique, appuyée par le gouvernement, de réalisation du contrat. Cela donne à l'exportateur un avantage exceptionnel de commercialisation, améliore les conditions du contrat auquel il participe, lui fournit un accès au financement tout en réduisant ses risques.

La CCC fait partie intégrante de l'équipe commerciale du gouvernement du Canada. Ses services sont complètement autres aux services de financement à l'exportation et d'assurance de la Société pour l'expansion des exportations (S.E.E.) et aux activités d'information commerciale et de marketing du ministère des Affaires étrangères et du Commerce international (MAECI) ainsi que d'autres ministères et organismes fédéraux.

En tant qu'organisme de négociation des contrats d'exportation du gouvernement du Canada, la CCC :

- fournit aux exportateurs canadiens un accès amélioré et privilégié aux marchés américains de la défense et de l'aérospatial par le biais d'accords officiels ratifiés par le gouvernement du Canada;

- agit en qualité d'entrepreneur principal dans la vente de biens et services canadiens à la demande des exportateurs canadiens et de leurs clients à l'étranger;
 - détermine les débouchés, particulièrement avec le gouvernement fédéral des États-Unis et les transmet aux sociétés canadiennes inscrites auprès de la CCC qui sont en mesure de répondre à ces commandes;
 - facilite l'accès, des petites et moyennes entreprises (PME), aux sources commerciales de préfinancement des ventes à l'exportation par le biais du Programme de paiements progressifs (PPP);
 - fournit, sur demande, des services d'analyse et de gestion du risque du contrat à l'exportation;
 - offre son assistance en matière d'arbitrage des contrats et de la résolution de différends relatifs aux contrats.
- Avant de participer à une vente, la CCC évalue les risques posés par l'acheteur, l'exportateur et les conditions proposées du contrat envisagé. Les antécédents de la CCC parlent d'eux-mêmes : les contrats ont été gérés avec une telle prudence que les coûts supplémentaires des contrats sont restés au-dessous d'un dixième de un pour cent du chiffre d'affaires* de la Corporation.
- Ce sont ces réalisations qui ont poussé les acheteurs étrangers à faire de la CCC leur partenaire préféré lors de l'acquisition de biens et services de sources canadiennes. La CCC offre une assistance inestimable aux sociétés qui tentent de percer sur un marché pour la première fois. Pour les PME, la capacité de la CCC d'améliorer leur crédibilité augmente leur compétitivité dans des marchés où elles sont moins connues que leurs concurrents. Au cours de l'année dernière, plus de 75 p. 100 des sociétés utilisant les services de la CCC réalisaient moins de 25 millions de dollars en ventes annuelles.

* Par chiffre d'affaires, nous entendons la valeur en dollars des contrats et des modifications de contrats signés au cours de l'exercice 1997-1998.

UN MESSAGE DU MINISTRE

services spécialisés de passation de contrats que ses nombreux clients, particulièrement les petites et moyennes entreprises, tiennent en haute estime. Ces services permettent aux exportateurs canadiens de remporter des ventes dans des marchés difficiles. Dans de nombreux cas, ces contrats à l'exportation ne seraient pas obtenus sans l'expertise de haute qualité et à valeur ajoutée de la CCC. En collaborant avec la CCC, les exportateurs canadiens saisissent des débouchés internationaux qui, à leur tour génèrent des emplois et une croissance économique dans notre pays. C'est le genre d'activité de partenariat dont je suis très fier. Je me suis engagé à garantir que la CCC conserve et renforce même sa capacité d'aider les exportateurs canadiens.

Honorable Sergio Marchi,
P.C., Député,
Ministre du Commerce
international pendant la
mission commerciale
des femmes d'affaires
canadiennes à Washington

Sergio Marchi



Notre impact sur les exportateurs canadiens

1

La CCC a aidé plus de clients à exporter plus de produits dans plus de marchés l'année dernière que pendant n'importe quelle autre année au cours de son histoire. Notre chiffre d'affaires a connu une croissance sans précédent dans nos principaux secteurs d'activité et nous avons obtenu ce résultat en nous concentrant sur notre spécialité: fournir aux exportateurs un service international de passation de contrats conçu pour les aider à réaliser toutes les phases d'un projet, de l'élaboration de propositions, à dépôt de la soumission à la négociation et l'administration de contrats et au paiement. La CCC occupe une place unique au sein de la communauté commerciale canadienne et nos clients en sont conscients. Ils apprécient l'approche pratique et l'attention personnelle qu'ils obtiennent auprès des équipes de la CCC. Notre concentration sur les services nous a valu la meilleure cote de satisfaction, de la part de nos clients, parmi tous les organismes de commerce canadiens qu'ils utilisent. Dans le contexte d'un environnement global de plus en plus concurrentiel, nos exportateurs profitent de l'accès aux marchés spécialisés que nous offrons et de nos compétences pratiques à valeur ajoutée qui améliorent leur chiffre d'affaires sur les ventes à l'exportation. En tant qu'organisme fédéral, la CCC joue un rôle primordial dans le plan commercial du gouvernement du Canada. Les exportateurs et leurs clients à l'étranger savent qu'avec notre appui, c'est la puissance du Canada qui soutient leurs marchés. Et pour les entreprises canadiennes cela équivaut à des ventes.

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Une année de succès
à l'exportation!

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**Canadian
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Corporation**



Shaping Trade Solutions for Canada's Exporters

Annual Report 1998-1999



Canada



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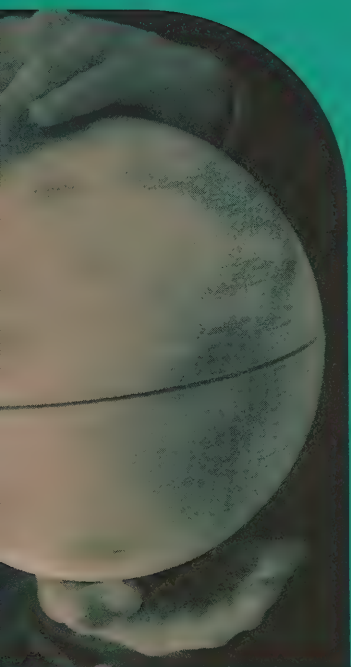
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Ce document est également disponible en français.

Trade solutions for Canadian exporters

CCC helped more Canadian exporters make sales and access difficult markets throughout the world in 1998–99. The Corporation worked with 1,883 Canadian exporters, achieving business volumes of \$748 million dollars in 37 countries. Thirty per cent of exporters contracting successfully through CCC were new clients, with the great majority small and medium size businesses with annual sales of less than \$25 million.

The Corporation achieved record volume increases in its U.S. operations over last year, and maintained its sales volumes in international markets.

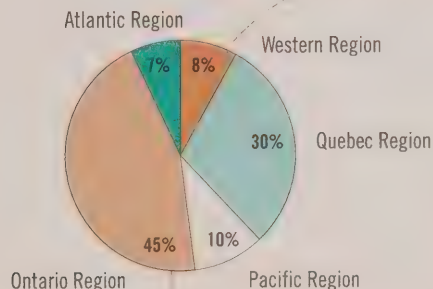
CCC continued to focus on its core business: providing special access for Canadian exporters to the U.S. defence and aerospace markets, specializing in trade to foreign governments and international organizations and providing government-backed contract sales and management services to SMEs.

Our continued emphasis on customer service has again earned high satisfaction ratings from Canadian exporters. CCC's unique role in the Government of Canada's trade plan continues to provide exporters and their customers abroad with the added confidence of knowing that they have the power of Canada behind their deal.

Whether bringing buyers and sellers together, acting as a prime contractor or working with small and medium size companies to win sales, CCC's access to specialized markets continues to open doors for thousands of Canadian companies doing business in complex international markets.



CCC Business Volume by Geographic Region



A Message from the Minister

"The Canadian Commercial Corporation continues to fulfill its unique mandate in Canada's trade agenda as an export sales agency and government-backed prime contractor. For over 40 years it has been the point of entry for Canadian exporters to the U.S. defence and space markets and continues to help thousands of small and medium size companies win sales around the world.

CCC's full range of export trade services, including guarantees of contract performance, provides the needed edge for Canadian exporters entering a competitive global marketplace. A specialist in trade to foreign governments and international organizations, CCC continues to focus on assisting small and medium size businesses in developing into mature exporters. In the past year, over 80% of the companies using CCC's services had less than \$25 million in annual sales.

Helping small and medium size exporters succeed in world markets is key to Canada's export strategy and to CCC for the coming years."



Hon. Sergio Marchi, P.C., M.P.
Minister for International Trade

Role and Objectives of the Corporation

For over 52 years, CCC has been an effective trade tool for Canada, helping exporters win and complete sales in difficult markets, primarily those of foreign governments and international organizations. A federal Crown Corporation, Canadian Commercial Corporation is wholly owned by the Government of Canada, with the broad legislated mandate to assist in the development of trade between Canada and other nations.

CCC provides Canadian exporters with a wide range of contracting services which enhance their access to market opportunities. CCC's involvement provides a foreign buyer with a unique, government-backed guarantee of contract completion. This gives an exporter an exceptional marketing advantage, improves the contract terms on which it does business, provides access to financing, and reduces exporter risks.

CCC is an integral part of the Government of Canada's trade team. Its services complement the export financing and insuring services of the Export Development Corporation (EDC) as well as the market intelligence and promotional activities of the Department of Foreign Affairs and International Trade (DFAIT) and other federal departments and agencies.

As the export contracting arm of the Government of Canada, CCC:

→ acts as the primary agent for major procurements involving Canadian exporters selling to the U.S. Department of Defense (DoD) and the National Aeronautics and Space Administration (NASA) as part of formal agreements signed by the Government of Canada;

- acts as an export sales agency and participates in all phases of the trade transaction;
- acts as prime contractor in the sale of Canadian goods and services at the request of Canadian exporters and their customers abroad;
- identifies business opportunities, particularly with the U.S. federal government, and transmits them to those Canadian firms registered with CCC that are capable of meeting those requirements;
- facilitates access by small and medium-sized enterprises (SMEs) to commercial sources of pre-shipment financing on export sales through the Progress Payment Program (PPP);
- provides export contract risk analysis and management services when requested;
- assists in arbitration of contracts and provides assistance in resolving contract disputes.

When CCC participates in a sale, it assesses the risks posed by the buyer and the exporter, prepares the bid, participates in sales negotiations, manages the contracts guaranteeing performance and arranges payment according to the negotiated terms.

CCC manages contracts prudently, and as a result additional contract costs have been kept at less than 1/10 of 1% of the Corporation's business volume. It is this record which has led foreign buyers to make CCC their partner of choice when purchasing goods and services from Canadian sources.

President's Message

A year of progress

It has been a year of progress for CCC, as we worked with a record 1,883 companies, in a wider range of sectors and a larger number of markets than ever before. Small and medium-sized exporters (SMEs) continued to grow in importance for the Corporation, and as of 1998–99 they comprise over 80% of the companies we serve. We are confident that our growing SME client base reflects the experience and skill we bring to smaller companies seeking to compete in complex world markets.

Of all those firms using CCC services in 1998–99, 276 finalized new contracts or contract amendments through the Corporation. The total value of the contracts and amendments was \$748 million, with buyers in 37 countries.

It was a turbulent year in many world markets, including significant changes in traditional procurement practices of the United States Department of Defense (DoD) and the National Aeronautics and Space Administration (NASA).

DoD acquisition reforms saw large blocks of traditional procurement turned over to private sector prime contractors, reducing the advantages Canadian firms have enjoyed in that market since 1956, under the Defence Procurement Sharing Agreement (DPSA). In response, CCC successfully initiated a U.S. Prime Contractor Marketing Initiative, aimed at building awareness of CCC's value-added services and forging new relationships with U.S. based prime contractors.

For the first time in a decade, anticipated Light Armoured Vehicle (LAV) sales did not materialize with the U.S. Department of Defense, resulting in lower business volumes. This year's slippage in signing these large contracts, valued at approximately \$350 million, is expected to be temporary, and the sales outlook is promising for 1999–2000 and 2000–2001.

While this year's business volume was lower at \$748 million (non-LAV), CCC made significant gains in the U.S. market, reaching \$557 million (non-LAV) from last year's \$355 million (non-LAV), an increase of 57%.

The Government placed a vote of confidence in the Corporation's potential after an interdepartmental review and committed to strengthen CCC's Board of Directors and appoint a full-time President in 1999–2000.

The review confirmed that CCC's program makes a unique contribution to developing Canadian exports through the DPSA and provides a centre of expertise for sales on a government-to-government basis, particularly for SMEs in meeting foreign competition in government procurement markets. The review concluded that CCC's program is best delivered through a separate and specialized Crown Corporation, dedicated to the export sales function.

In generating success for Canadian exporters, CCC has been increasing its number of 'smaller dollar value' contracts. The year confirmed the trend of the past three years: greater numbers of SMEs see the Corporation as their partner, to succeed in both new markets and markets where they face well-established competition. They are doing so both in the United States and internationally, and through the sustained growth of our Progress Payment Program (PPP), which helps them access commercial sources of pre-shipment financing.

In 1998–99, a full 30% of exporters contracting successfully through CCC were new to the Corporation. Many of them were SMEs. Helping these firms in highly competitive and difficult marketplaces can be labour intensive and burdensome, working within the Corporation's existing risk parameters.

Nevertheless, growth at CCC has been with small and medium sized enterprises, and all signs point

to a continuation of this trend. Meeting their needs will require innovative partnering, with both private and public sector organizations. It will also require new means of expanding the range of SME risk which CCC can undertake.

With its future as a specialized, separate Crown Corporation confirmed, CCC must now take the longer view and determine where it can make its greatest contribution to Canadian trade in the new millennium. The focus will be on increasing awareness of CCC's services among Canadian firms which are either active or interested in foreign public sector markets, and could increase their success by utilizing CCC. This also sees CCC working among a wider range of SMEs who need our practical, hands-on experience to succeed in new markets.

As a niche player in specialized markets, CCC requires strong links to all other elements of Team Canada Inc. and private sector partners, to increase referrals and find new ways of putting our unique skills to work. CCC's relevance will increasingly be measured by the number of companies it works with each year, and by the ratios of successful bids it generates with them.

Once again, CCC's Client Satisfaction Survey shows that whether they are small, medium or large, businesses using CCC value it greatly. The continuing challenge is to ensure that all those who could successfully use our services know when to do so.

The governance structures of CCC have changed to enable it to better meet the challenges it faces. Among these changes, CCC no longer has the Deputy Minister of Trade at the Department of Foreign Affairs and International Trade (DFAIT) as its President. A full-time President, Douglas Patriquin, represents the Corporation and conducts business on its behalf at the appropriate senior level. Mr. Patriquin has served as the Corporation's Executive Vice-President and Chief Operating Officer since 1993.

This is, therefore, my last report as President and I thank the management and employees of CCC for their support and their contribution to trade these past three years. I also wish Mr. Patriquin and his team well in leading the Corporation to even greater results in the future. In addition to my own departure, 1998-99 also saw the retirement of Yvon Jolicoeur, CCC's Director of Major Projects, after a 15-year career with the Corporation's U.S. and overseas operations.

While the past year has been challenging, the coming year offers opportunity for the Corporation as it aims to reach a significantly larger number of small and medium size companies. As it expands its reach and enhances its services, in non-defence and aerospace markets, CCC will require significant resources to fulfill the labour intensive demand of helping SMEs to win sales with CCC backing and contracting and trade expertise. Accordingly, CCC will re-examine its markets, fee for service and risk capital capacity, to meet the operational requirements necessary to fulfill its mandate and contribute significantly to Canada's trade agenda.

The success of CCC is never solely that of the Corporation; it is the success of those men and women from across Canada who take up the challenge of exporting, and have found in CCC a partner to help them get the job done. In the past five years, the number of companies working with CCC has increased by 80%. All of us who have an interest in seeing exports grow, at both CCC and in Government, want to see that trend continue.



Robert G. Wright
President

June, 1999

CCC's Corporate Strategies

Responding to the trade agenda

CCC has over 50 years of experience and success as an effective instrument of Canada's trade policy. Its unique range of skills enable it to make an important contribution to help achieve the Government's export objectives. As we approach the millennium, the Government of Canada has an ambitious trade agenda. It seeks to increase both Canadian exports and the number of exporters, particularly among small and medium-sized enterprises (SMEs).

Entering the 1998-99 fiscal year, CCC saw significant growth in the number of companies interested in using its particular skills. Increasingly, exporters are looking for CCC's involvement in a wide range of services in addition to its traditional role as a prime contractor. The Corporation's challenge in 1998-99 was to respond to that increasing demand, while managing activities to ensure that additional contract costs were minimized.

This year was an opportunity for the Corporation to re-position itself to better respond to Canadian exporters and public-

sector buyers throughout the world. While government procurement world-wide is more accessible than ever to Canadian firms, government buyers have been subject to volatile external factors that influenced their finances and priorities.

CCC continued to allocate its resources to fulfil its role under the DPSA mandate and preserve the benefit of that special access for Canadian exporters. At the same time, the Corporation supported companies traditionally active in the U.S. defence and aerospace related markets to enter other international markets. It also had to respond to a growing number of SME clients, and identify service enhancements to meet their particular needs.

Fostering growth

With these changes in mind, CCC will focus on a four-point program to foster growth and meet its objectives:

→ **Awareness** – to make CCC's services known to exporters and to those who provide them with advice;

→ **Business Growth** – to build on CCC's networks with exporters and foreign buyers to increase the number and volume of business opportunities;

→ **New and Improved Services** – to develop, enhance and provide new services which put CCC's unique capabilities to work to meet changing exporter needs;

→ **Capacity to Respond** – to ensure CCC can meet increased demand for its services by reducing costs, increasing efficiencies and implementing cost recovery where possible.

Given the resources available to the Corporation, these strategies would assist CCC to better balance its business volume targets with those related to the number of clients and the quality of service. In 1998-99, while business volumes remained important, the primary goals of CCC related to its clients and the measurement of efficiency and effectiveness in meeting their needs.



Business Review

April 1, 1998 through March 31, 1999

CCC by the Numbers

To give readers a quick overview of some of the year's highlights

\$748 million	CCC's total business volume for the fiscal year
30%	Percentage of exporters contracting successfully through CCC who were new clients
\$484,895,168	Sales volume to the U.S. DoD and NASA
70%	Percentage of CCC's sales made to the U.S. DoD and NASA
\$96,522,788	Sales volume to U.S. civilian agencies and private sector
\$122 million	International business volume
\$46 million	Progress payment Program
1,449	Number of Canadian firms receiving opportunity notices through bid-matching service
13,551	Total number of notices they received
1,500	Number of visits per week CCC's U.S. opportunities website receives
\$616,000,000	Value of bids generated by CCC's bid matching efforts
571	Number of successful contracts resulting from CCC's bid matching efforts
\$161,000,000	Total value of those contracts
72%	Percentage increase over bid matching contracts generated in 1997-98
94%	Percentage of clients surveyed who rated CCC as "excellent" or "very good", or "good"

CCC's greatest strengths were the provision of useful trade advice, export knowledge, provide credibility before the buyer, reduce payment risks and provide better payment terms, expertise in contract negotiation, and CCC's contacts and ability to assist in networking.

CCC signed contracts in 37 countries in 1998-1999

Argentina	Colombia	Islamic Republic of Iran	Kuwait	Norway	Tanzania
Australia	Cuba	Ireland	Luxembourg	Portugal	Thailand
Austria	Denmark	Japan	Malaysia	Saudi Arabia	Trinidad and Tobago
Bahamas	France	Korea (Republic of South Korea)	Mexico	Singapore	United Kingdom
Barbados	Germany		Morocco	South Africa	United States of America
Bermuda	Guinea		Nepal	Spain	
Chile	India		Netherlands	Sweden	

CCC's core users are aggressive exporters, as our 1999 client survey shows. More than six in 10 CCC-users rely on export sales for more than half of their business. One in four had a particular focus on

public-sector markets, with foreign-government purchasing accounting for at least half of all their exports.

The U.S. Government was the most often mentioned client of

CCC's exporters (86%) in the survey, followed by public-sector clients in western Europe (45%), the Middle East and Africa (40%), Latin America and the Caribbean (29%) and Asia Pacific (15%).

Keeping Pace with Change in the U.S.

Acquisition Reform

Changes in U.S. defence procurement resulting from the U.S. Government's Acquisition Reform are a key concern for CCC. Over 70% of the Corporation's sales were to the U.S. Department of Defense (U.S. DoD) and the National Aeronautical and Space Administration (NASA), under the Defence Production Sharing Agreement (DPSA).

Acquisition Reform offers great scope for Canadian companies through simplified rules and streamlined processes. At the same time, the trend towards privatizing U.S. DoD purchasing to American private sector prime contractors threatens the advantages Canadian firms have enjoyed in that market since 1956. Proposals to change the U.S. International Traffic in Arms Regulations (ITARs) have raised concerns about new non-tariff barriers impeding access.

Steady sales growth

Canadian sales in the U.S. defence market have grown steadily over the past five years. The large increases that have been announced for U.S. defence budgets over the next six years should provide opportunities for further growth, if CCC can maintain the privileges existing under the DPSA, in conjunction with its Canadian and U.S. partners.

Since the announcement of the U.S. Government's Acquisition Reform Initiative in 1993, CCC has kept pace with procurement changes in its key defence and space markets. It has also enhanced its relationships with U.S. buyers in several ways. These include bid matching, the North American Defence Industrial Base Program, and an outreach program to U.S. private-sector prime contractors on U.S. defence contracts. As well, presentations to over 250 U.S. procurement officers highlighted

qualified Canadian supply sources, providing a better match of U.S. civilian and military opportunities with qualified Canadian exporters.

The year saw the largest volume of sales to DoD and NASA (non-LAV) since the early 1980s, with a total of \$485 million. This was due to the increasing interest of U.S. buyers in repair and overhaul services, in which Canadian companies are very competitive. The high volume was also due to greater bidding activity generated by CCC's bid matching of U.S. defence opportunities to the capabilities of our client companies. An additional \$97 million was conducted with buyers in U.S. civilian agencies and the private sector.

Working with partners

Since 1956, CCC has been a key instrument in preserving entry for Canadian exporters to U.S. defence requirements under the DPSA. In 1998-99, the

A sure bet

Spielo Gaming International started business less than 10 years ago. Today, the Moncton, New Brunswick company is successfully competing with huge multi-nationals, and selling its video lottery terminals around the world. When Spielo discovered what CCC's Progress Payment Program could do half way through a \$35 million contract with Swedish gaming authority AB Svenska Spol, their next move was clear.

"We were doing things the hard way. In our business, there can be a lead time of 12-20 weeks when you're financing inventory. The more we heard about CCC's services, the more we saw the advantages, and their program solved our problem. Today, our market is the world."

Joe Macies

President, Spielo Gaming International
Moncton, New Brunswick

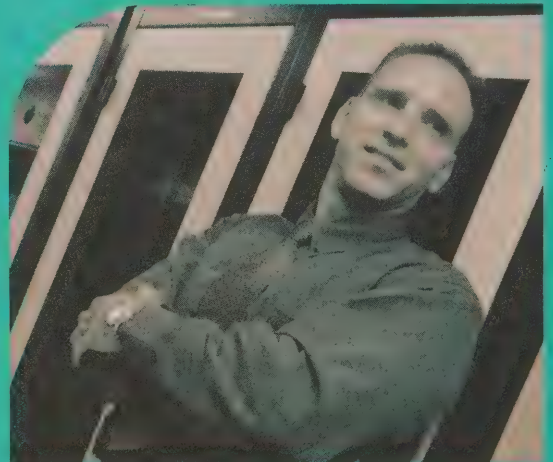


Merging skills in new media

The Internet was relatively unknown in 1995, when Clickon Technologies began with the goal of merging its marketing and technical skills for the new medium. Clients quickly shared the vision, and the Montreal company was soon winning website awards for companies like Reno-Depot. When NAFTA asked for qualified bidders to develop, build and host a customs website, CCC turned the sales lead over to Clickon, which won the competition.

“CCC not only gave us the lead on the NAFTA sale, they stayed with us throughout the project. They’re experienced exporters, and helped us answer questions from the clients and ensure that all the legalities were in place. In a way, they were like a project manager for us.”

Albert Zaccour
President, Clickon Technologies
Montreal, Quebec



SALES BY PRODUCT CATEGORY *April 1998 – March 1999*

PRODUCT CATEGORY

Aerospace	38.2%
Vehicles and Rail Equipment	15.1%
Electrical	12.6%
Ships, Small Crafts and Marine Equipment	7.2%
Services	6.4%
Industrial, Construction	4.6%
Food, Livestock and Clothing	3.6%
Hospital, Laboratory and Health Equipment	1.7%
Armaments	1.1%
Fuel and Lubricants	0.5%
Training Aids	0.2%
Others	8.8%

of Canadian defence and aerospace firms. According to the Aerospace Industries Association of Canada (AIAC) and the Canadian Defence Industries Association (CDIA), those changes could affect up to \$700 million in Canadian sales into the U.S. defence and space markets.

While most of CCC's business under the DPSA is not affected by the proposed changes, the Corporation is concerned with any regulatory changes that could affect the health and stability of Canada's defence and aerospace industries. A particular concern is the impact of ITAR changes on Canadian access to technical information required to bid on U.S. defence opportunities.

Together with its government partners in the Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC), as well as the AIAC and CDIA, CCC has assisted in developing the Canadian response to the proposals. The Corporation has also identified ways of working with the U.S. Department of Defense to mitigate potential negative impacts on sourcing in Canada.

Corporation worked with other trade partners to meet two threats to that business.

First, the increasing privatization of U.S. military procurement to U.S. private-sector prime contractors threatens to close Canada's window of access. Outside the DPSA, there is a danger that opportunities for Canadian firms could dry up as a result of a new non-tariff barrier-privatization. In response, CCC increased its activity with U.S. prime contractors, making presentations to 16 firms.

The presentations showed U.S. private sector prime contractors how our services can be as effective for them as they have been for U.S. military purchasers which bought directly. This activity has resulted in sales of \$38 million in 1998-99, and the Corporation is working with a

total of about 35 companies to emphasize the capabilities of Canadian firms registered by CCC with the U.S. government.

The impact of ITAR changes

Acquisition reform is not the only new hurdle our clients face. In 1998, the U.S. Government announced proposed changes to its International Traffic in Arms Regulations (ITARs), which would eliminate previous exemptions from licensing provisions for Canadian firms purchasing a wider number of product categories from U.S. sources. Since those licences can take up to 90 days to acquire, the changes affect the free flow of components and information across the border in the defence and aerospace sectors.

This could have a profound impact on the future growth

Going to the wall

Inline Fiberglass Ltd. is a world leader in fiberglass manufacturing, with more than 20 patents worldwide resulting from its extensive R&D. Vertically integrated, the Toronto company not only makes windows and doors, it supplies other clients with complete fiberglass production lines for their own operations. When last-minute finance issues threatened a major sale to a Russian client, CCC's Progress Payment Program proved invaluable.

"CCC went to the wall for us at the 11th hour, and their involvement goes way beyond the simple analysis of financial records. They quickly understood both the deal and our vision to progress from an R&D company to a sales and marketing company. Successful completion of the Russian contract was a springboard to a new sale in China, as well as other business opportunities."

Rino Sabatino
President

Mike Levine
International Project Manager

Inline Fiberglass Ltd.
Toronto, Ontario



Bid Matching – Bringing New Opportunities to Canadian Exporters



CCC's bid-matching service established new records in the U.S. in its third full year of operation. The service is based on an electronic version of the U.S. *Commerce Business Daily*, which lists all U.S. federal government opportunities. These are vetted at CCC, and opportunities open to Canadian competition are posted on the CCC website. The website has a search mechanism to enable exporters to key in on those requirements that interest them most.

Since CCC registers Canadian company profiles with the U.S. government, the Corporation operates an electronic system to match incoming U.S. requirements to the capabilities of Canadian companies. These, in turn, are reviewed by CCC bid matching officers, who then notify Canadian firms of these opportunities. In 1998–99, 1,449 Canadian firms, an increase of 10.4% over the previous year, received 13,551 notices. At that same time, CCC's U.S. opportunities website is receiving over 1,500

visits a week, from companies interested in finding out how they can fit U.S. procurement opportunities into their business and marketing plans.

CCC's bid matching efforts produced 835 requests for bid documents from Canadian companies, and generated bids valued at \$616 million. That activity in turn resulted in **571 successful contracts** with a value of **\$161 million**, a 72% increase over bid matching contracts generated in 1997–98.

The International Environment

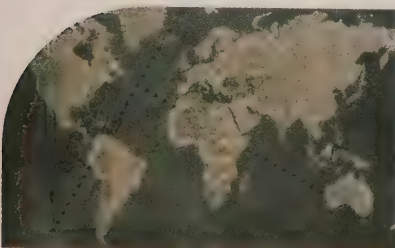
CCC's business was affected by the financial and political conditions troubling its overseas public sector customers in 1998–99. The Corporation's business volume and cost recovery performance was affected by the postponement of some major projects, and the awarding of others to foreign competition in South Africa and Greece.

A highlight was the successful completion of the new terminal at Budapest's Ferihegy International Airport by Toronto's Airport Development Corporation, delivered on budget in December, 1998. The terminal demonstrates the vital role CCC plays working with experienced, mid-sized firms on overseas projects.

CCC is now working with companies on proposals for capital projects in markets as diverse as Argentina, Algeria and the Philippines. New guidelines on the Corporation's involvement in capital projects

are expected to be finalized in 1999–2000. They will provide a stronger framework for CCC to assess capital project risks and work more closely with key government stakeholders and Team Canada Inc. partners.

Anticipated international LAV sales did not materialize during the year. Despite this, the outlook for the years 1999–2000 and 2000–2001 is promising. CCC's business volume internationally was also affected by the continuing economic crisis in Asia, and increasing unease in many Latin American markets.



Red hot sales

Pro-Safe Fire Training Systems Inc. began manufacturing its fire training units for sale after repeated requests from clients who had seen the units in action. When Canada's Department of National Defence bought a unit for its base in Esquimalt, B.C., Pro-Safe was referred to the Canadian Commercial Corporation, and the rest is solid sales history. CCC-backed sales to clients like the U.S. Navy and Air National Guard have boosted Pro-Safe's revenues more than 10-fold in the past few years, and the company continues to extend its export reach.

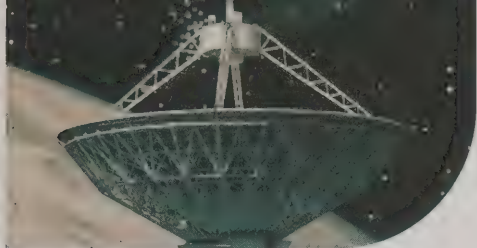
"CCC is a security blanket for us and our bankers, and it gives us credibility with foreign buyers. CCC's involvement enabled us to go from producing a \$20,000 system to making a \$750,000 sale to the U.S. Navy."



Henriette Martinitz

C.E.O., Pro-Safe Fire Training Systems Inc.

Parry Sound, Ontario



Despite these difficulties, CCC's international contracting teams increased the number of firms winning international contracts to 105. More than 25% of these were companies which also successfully landed U.S. business in 1998-99. While the total international business volume of \$122 million is lower than 1997-98, it actually represents more contracts completed. In contrast to previous years, none of CCC's international contracts exceeded \$10 million per year. Contracts were signed with more companies, most of them SMEs.

Team Canada Inc: co-ordinated export efforts

CCC's efforts internationally were also bolstered by the creation of Team Canada Inc. Over twenty federal departments, agencies and Crown corporations joined to better co-ordinate their efforts, and identify complementary services. CCC continued work with Industry Canada and International Business Opportunities Centre of DFAIT to ensure maximum exposure of new international opportunities on websites.

CCC also participated in a wide range of interdepartmental initiatives involving public/private sector partnering. Highlights included initiatives in the housing and building products industry and in environmental

technologies, in several countries in Latin America and eastern Europe.

The co-ordination of export efforts available through Team Canada Inc. will be especially useful for a small agency such as CCC, promoting our capabilities in a broader range of sectors. Client surveys show that almost two thirds of CCC clients also use the services of other Team Canada partners each year. The Trade Commissioner Service of DFAIT is used by 49%, while 40% use the Export Development Corporation (EDC), and 17% use the Canadian International Development Agency (CIDA).

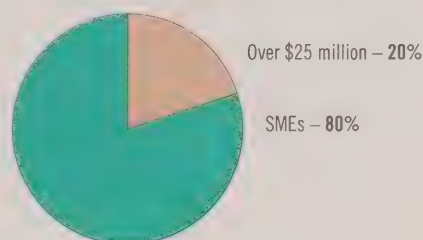
All trends show that CCC will be working with more SMEs in international markets. This is a change from the traditional composition of the Corporation's international clients as recently as three years ago. In serving this new client base, CCC will develop new links with more foreign buyers, and re-establish others. In 1998-99, that work was started with select defence buyers in NATO member countries, and with NATO itself. In partnership with Alberta's Ministry of Economic Development, CCC identified Canadian firms interested in pursuing opportunities with oil and gas agencies in Latin American countries, where CCC's mechanisms have a record of success.

Small and Medium - Sized Business Enterprises (SMEs)

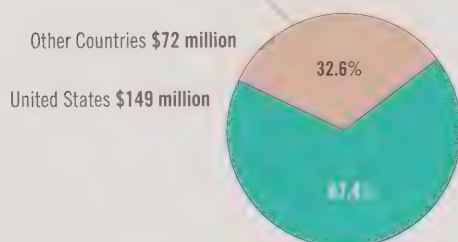
Small and medium-sized exporters, with annual revenues of less than \$25 million continue to grow in importance for CCC and the Government of Canada. SMEs are a major player in the future of Canada's economic growth, particularly as more and more small and medium size businesses grow and expand in foreign markets. CCC continues to assist SMEs in winning sales through a variety of trade facilitation services, contract management and access to pre-shipment financing.

In 1998-99, SMEs represented over 80% of the companies served by CCC resulting in a majority of public sector sales in the United States and an increase in commercial non-U.S. sales in international markets around the world.

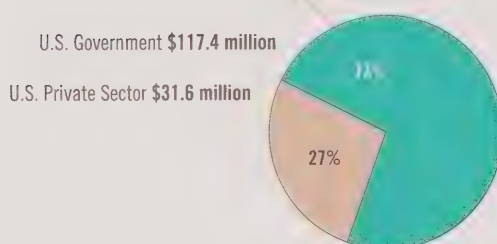
Transactions with SMEs



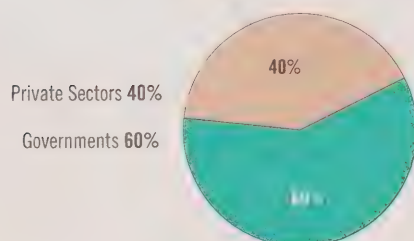
SME Business Volume by Market



U.S. SME Business Volume by Government/Private Sector



SME Business Volume by Other Countries



The Corporation's SME business volume rose by 4% over the previous fiscal year, from \$199 million in 1997-98 to \$221 million in 1998-99. SME sales account for 30% of all CCC's business volume, a growing trend with particular strength in the U.S. marketplace (\$149 million) and increasing strength (\$72 million) in other international markets.

The Corporation's SME performance reflected CCC's core competency in government-to-government sales resulting in \$159 million in sales to government organizations and \$62 million to the private sector.

While SME sales in the United States were primarily to governments (74%), non-U.S. sales in other international markets were more evenly distributed between governments (60%) and the private sector (40%). CCC's customized, hands-on advice, expertise and government-backed guarantees of contract performance continues to attract SMEs and foreign buyers who would not normally buy from smaller exporters without CCC's involvement. For SMEs, CCC's greatest value lies in the value-added knowledge of working in difficult markets, reducing red tape, minimizing risks, and negotiating contracts.

New Success and New Services for SMEs

Since 1995, over 80 SMEs have used CCC's Progress Payment Program to access working capital from commercial sources and complete exports on 123 contracts, with a value of \$205 million. The firms were all small and many were new to exporting. Most of them indicate that without the PPP, they could not have undertaken those export sales. It's not surprising to find that those SMEs using the Progress Payment Program provided CCC's highest client satisfaction scores in our survey.

In 1998-99, the PPP generated a business volume of \$46 million through agreements with 15 banks and financial institutions. The number of applications and transactions processed increased from last year.

PPP: a growing market

The program helps SMEs access new sources of pre-shipment financing, by combining CCC's expertise in international project assessment and contract management with the lending capabilities of banks. PPP is used when an exporter is unable to negotiate progress or advance payments from the buyer, and the sale cannot be financed within the exporter's existing domestic credit facility. CCC's participation enables the exporter to access special lines of credit established by their financial institution to support the export sale.

In 1998-99, CCC developed a marketing plan in co-operation with its partner PPP financial institutions. The plan ensures that personnel in those institutions and other public and private sector organizations are aware of the PPP, and its ability to help SMEs with their working capital problems.



The PPP team has also improved client service. Program criteria were upgraded to qualify leads at a much earlier stage and enhance service levels, while keeping the program's costs competitive. The PPP has also been promoted through a toll-free line staffed by a new Market Liaison Unit. This provides a faster response time to new business prospects.

The PPP also has a new service, the Contract Management Service (CMS). Offered on a pilot basis, CMS is provided to financial institutions willing to finance an export transaction directly through their own services, rather than through the PPP. Nevertheless, they can benefit from the contract assessment and contract administration capabilities of CCC officers, on a fee basis. The results of the pilot and further market analysis will determine whether CMS is offered as a full and separate service line.



Boosting productivity

When FSI International Services Ltd. started work on a \$3.1 million sale to Russian oil company JSC Chernogorneft, they soon discovered that the Russian language and Siberian climate weren't the only challenges they faced. Renowned in North America, the North Sea and the Middle East for its innovative oil well control systems, FSI International used CCC's services to expedite the Russian sale. The turn-key operation is now boosting oil field productivity in western Siberia.

"Payment conditions have changed in the export markets, and most clients want to hold onto their money as long as possible. We were faced with asking the client for more money up front, but CCC worked out a deal with us and our banking partners that gave us the payment we needed to make the final shipment. We hope to use the Progress Payment Program on future sales."



Richard Ball
President, FSI International Services Ltd.
Calgary, Alberta

CCC and Risk Management

CCC is not a financial or insurance institution. It is involved in facilitating and structuring sales, and has developed a broad range of international contracting skills as a result. Unlike a financial institution, which manages financial or buyer risk on a portfolio basis, CCC manages performance risk on a project-by-project basis.

As a result of CCC's experience and practices, it manages contracts prudently, keeping additional contract costs at less than 1/10 of 1% of its business volumes. For public sector buyers with time sensitive programs and concerns about performance risks, CCC's track record instantly raises an exporter's credibility. This often leads to significantly more flexible and beneficial contract terms for the exporter.



Improved practices

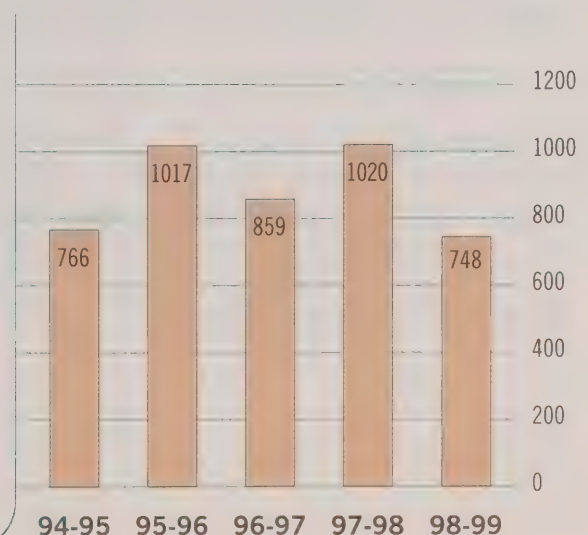
Last year, CCC's risk management practices were validated by two external parties. The Auditor General noted in its Special Examination Report that the Corporation's risk management practices had significantly improved from the previous report. These findings were partly based on a review conducted by the Auditor General's risk consultant.

To enhance its capital base to deal with large additional contract costs should they materialize, the Corporation reached an understanding with Zurich Insurance USA, for loss coverage up to \$75 million. This unique agreement was based on

Zurich's review of CCC's track record and risk management practices and procedures.

Responding to the government's SME agenda, the Corporation will create an SME risk category within its procedures. CCC recognizes that its existing risk management practices of reducing risk to virtually zero cannot assist many SMEs. With its small capital base, the Corporation will allocate \$250,000 over three years to help SMEs in this risk category. CCC expects it can facilitate some \$8.3 million in export contracts with this allocated capital, based on its track record and SME experience.

Value of Orders Received in Millions of Dollars



Business Objectives

In its 1998–99 Corporate Plan, CCC set four business objectives:

Clients served:

1997–98 result	1,759
1998–99 target	1,950
1998–99 result	1,883

The goal was to increase the number of companies actively working with CCC on export opportunities to 1,950, an increase of 10%. It ended the year with a total of 1,883, an increase of 7%.

Companies signing contracts through CCC:

1997–98 result	275
1998–99 target	350
1998–99 result	276

CCC wanted 350 of its client companies to sign contracts or amendments through the Corporation. The final total of 276 is virtually the same as the preceding year's. While CCC cannot control whether a particular company *finalizes* a contract within a given fiscal year, it considers this indicator as a key measurement of its contribution

to trade. CCC services can be the critical element that makes the difference between winning or losing an export contract.

The challenge for the Corporation remains to increase the success ratios of its exporters, to encourage use of its services in both the U.S. and overseas, to identify and work effectively with new clients, and to follow up on the opportunities it has provided to exporters through its bid matching service.

In 1998–99, there were some positive results in these areas. Some 30% of the companies *winning* business through CCC were new to the Corporation, and three quarters of these were SMEs. Additionally, one in four of these successful clients concluded sales through CCC in both the U.S. and at least one other international market. As noted earlier, the bid matching service generated more bids, with a larger potential value than in 1997–98. The actual business flowing from that bid matching hit a new total of \$161 million, an increase of 72% over 1997–98.

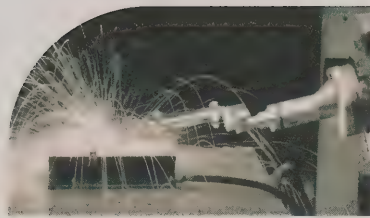
Business volumes:

1997–98 result	\$1.020 billion
1998–99 target	\$1–1.2 billion
1998–99 result	\$748 million

The objective was to increase the number of projects, both large and small, on which the Corporation was working. As a result, the project pipeline would grow to sustain an anticipated annual business volume of between \$1 and \$1.2 billion in the value of orders received through the Corporation.

The 1998–99 result reflects two significant developments: for the first time in a decade, CCC's business volume reflects virtually no activity on the sale of LAVs by General Motors Diesel Division. Anticipated amendments did not occur, and new contracts may not occur until 2000–2001.

Second, CCC and its exporting partners did not win any of the major projects on which they had bid in 1998–99. Internationally, the single largest contract was \$10 million, a much different result from previous years. While CCC's business volume declined, it is important to note that the \$748 million



represents *more* successful contracts, but of a lower dollar value than in the previous year. In fact, ex-LAV business volume grew by 16% for the Corporation, and by an exceptional 25% in its U.S. DPSA business.

Cost Recovery Targets:

1997-98 result	\$1.8 million
1998-99 target	\$2.1 million
1998-99 result	\$1.75 million

CCC applies cost recovery to all of its optional services. This policy does not enable the Corporation to fully recover its costs. For example, it does not allow for full recovery of labour

costs unless an exporter is successful in winning a contract. It also provides for special discounts for SMEs. Since its inception in 1996, cost recovery has grown to \$1.75 million in 1998-99. The vast majority of our successful clients where cost recovery applies were SMEs eligible for discounts.

Other Performance Indicators

Additional contract costs as a percentage of business volumes:

CCC Standard	0.2%
1998-99 Actual	0.1%

CCC's risk standard continues to be keeping additional contract costs at less than 0.2% of business volumes. In practice, CCC's limited financial resources have forced the Corporation to keep these additional costs at less than 0.1% of business volumes. Maintaining that standard requires significant labour, resources and time for each individual contract before it is signed. It also involves monitoring and administration of the contract, and occasionally assisting in mediating or restructuring when difficulties arise.

Provisions for doubtful accounts compared to accounts receivable:

CCC Standard	1.3%
1998-99 Actual	0.0%
1999-2000 Target	1.0%

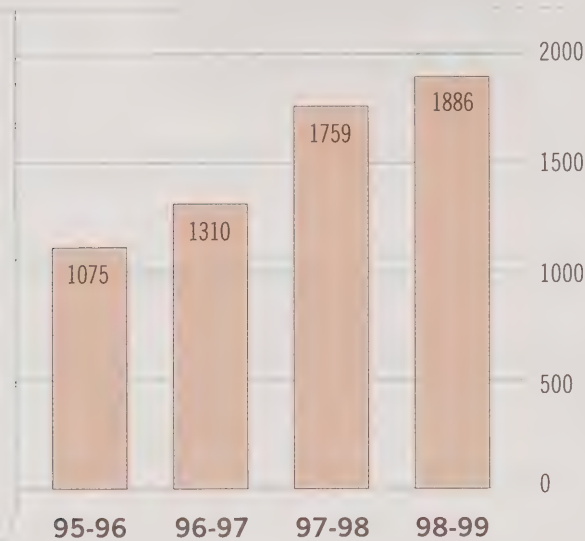
In 1998-99, the Corporation continued its success in collection efforts with foreign buyers. This key indicator is important to Canadian exporters, who frequently view CCC as a means of both winning more advantageous payment terms and significantly reducing the risk of non-payment.

Time required to make payment to exporters:

CCC Standard	30 days
	15 days Accelerated Payment Program
1998-99 Actual	31 days
	17 days Accelerated Payment Program
1999-2000 Target	30 days
	15 days Accelerated Payment Program

A key value of CCC is its prompt payment to exporters, as funds are received from foreign buyers according to the terms of the contract. Payments to suppliers are made on a timely basis, in accordance with corporate policy.

Canadian Companies Accessing CCC's Services



The Accelerated Payment Program is a special program offered to small businesses selling under the terms of the DPSA. The Corporation is examining ways of extending accelerated terms to larger exporters at a discount.

This year, however, was a difficult year for the Corporation in making prompt payments. Although the CCC is committed to ensuring that small exporters receive payments in 15 days, our small working capital base, increased number of CCC clients, and a slow-down in payments from the U.S. Department of Defense under the Defence Production Sharing Agreement made cash flow an increasing concern. The Corporation is pleased to note that the Government of Canada is

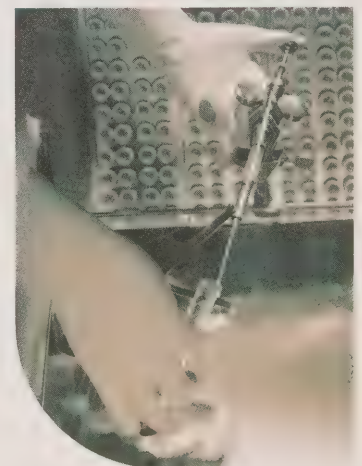
sensitive to the needs of exporters to receive their payments on a timely basis. An injection of \$5M at the end of the year was provided to assist the Corporation in this area.

Net cost of operations compared to business volumes:

1998-99 actual	1.3%
1999-2000 Target	1.3%

CCC remains largely dependent on its Parliamentary appropriation to fund its program. In 1998-99, the Corporation anticipated a larger business volume. This would have offset the significant increases in demand for its services and the growth in the number of exporter clients that did occur. For 1999-2000,

the Corporation has established a target of 1.3%, based on a projected business volume of \$1.1 billion. CCC will attempt to meet this standard by controlling costs and generating revenues, while it pursues its challenging business volume objectives.



Customer Satisfaction

Exporters Again Rank CCC First on Overall Value

Since it has relationships with both the Canadian exporter and the foreign buyer, CCC's role is unique. The Corporation can only be effective where it meets the needs and enjoys the confidence of both parties. Foreign buyers value CCC because they know its track record. They know that by accessing Canadian goods and services through the Corporation, they are assured of a quality product or service delivered according to their contract's terms.

In turn, this works to the Canadian exporters' advantage. A more confident buyer is usually more flexible on a contract's terms and on the payment terms they will offer. However, CCC's unique role between exporter and buyer can occasionally lead to conflict. To ensure it is responsive and meeting exporter needs and expectations, CCC conducts an annual client satisfaction survey. CCC built client satisfaction into a performance measure for the first time in 1998-99.

Client Satisfaction Index

Each year, CCC surveys a representative sample, by business size and geographic location, of all companies using its services. CCC's clients are committed

exporters: more than 60% rely on exports for more than half of their business. One in four rely on sales to public-sector buyers in the U.S. or overseas for more than half of their business.

1997-98 Index	6.7
1998-99 Target	7.2
1998-99 Index	7.0
1999-2000 Target	7.2

The Client Satisfaction Index is based on the number of CCC clients awarding scores in the top two boxes (on a scale of five) on overall value of CCC services to their organization. In 1998-99, 70% of CCC clients rated CCC as excellent or very good, with an additional 24% rating it as good. Once again, CCC's clients gave the organization their highest ratings on overall value, in comparison to the scores they gave all other public and private-sector trade agencies or groups they used the same year.

When asked whether they were likely to use CCC over the next two years, 77% of U.S. users and 74% of overseas users indicated they were extremely or very likely to use CCC in that time period. CCC's value was underscored by the fact that among exporters expecting to continue to use CCC, 22% of those using the DPSA service said they would use CCC *more*, while 70% expected their use to remain the same. Among over-

seas users, 37% said they expected to use CCC more in 1999-2000, and an additional 53% expected their use to remain the same. As in previous surveys, CCC receives its highest scores from SMEs, across the board.

Clients were also asked if CCC met or exceeded their expectations, in six standards of service:

Courtesy	97%
Accessibility	98%
Confidentiality	96%
Fairness	95%
Timeliness	90%
Competence	92%

Scores were higher in each dimension of service than last year.

According to the survey, CCC's greatest strengths were:

- providing useful trade advice and export knowledge;
- providing credibility before the buyer;
- reducing payment risks and providing better payment terms;
- offering expertise in contract negotiation;
- providing contacts and the ability to assist in networking.

Year 2000 Readiness

CCC faces pressure from the potential for Year 2000 problems stemming from the Corporation's own internal business systems, and those arising from the Corporation's role as a prime contractor. With respect to its own systems, the Corporation's efforts were reviewed in 1998 by an independent consultant. The consultant concluded that the Corporation was well advanced in dealing with all Year 2000 issues related to its own systems.

However, as a guarantor of contract performance on behalf of Canadian exporters, the Corporation must ensure that all performance obligations in the foreign contract are met. The Year 2000 problem represents a potential contractual liability for the Corporation if the Canadian exporter is not able to deal with this problem on CCC's behalf through the CCC contract with the foreign customer.

As the Auditor General concluded in its 1999 Special Examination Report, "Given the nature of the Year 2000 problem, it is impossible to state, with any certainty, the potential impact this could have on the Corporation. Should only

a small portion of its suppliers fail, the Corporation's equity could be in jeopardy."

To address this problem, the Corporation's Year 2000 Committee surveyed existing suppliers with contracts that will have outstanding commitments as of January 1, 2000.

As a result, CCC has:

- developed a questionnaire for project officers to assess Year 2000 awareness and readiness for suppliers;
- developed terms of reference for potential Year 2000 audits of suppliers;
- identified risk minimizers with applicability to the Year 2000 problem;
- established a specific Year 2000 risk assessment procedure for all new contracts with suppliers;
- created a Year 2000 Control Plan to minimize its exposure on existing contracts;
- developed potential strategies for dealing with Year 2000 problems that may arise.

Environmental Assessment Framework

Environmental risks posed by any export sale have always been part of CCC's assessment of the attendant risks in capital projects overseas. With the development of a proposal for new capital project guidelines to govern CCC's involvement, the Corporation reviewed its framework for environmental assessment, in comparison to those of other export agencies.

As a result, criteria will be presented to the Board of Directors in 1999-2000. CCC has always required an exporter to provide an environmental impact assessment of a capital project before it will offer its services as a prime contractor. However, the new criteria will provide exporters with a better guide of that process, along with independent assessment of such studies where the expertise does not exist within the Corporation.

In recent years, CCC's Board of Directors has only considered five to six proposals on capital projects in a given year. CCC is confident it can strike the appropriate balance between responding to clients in a timely manner, environmental responsibility, and maintaining competitiveness with other nations providing support on government-to-government transactions.

Corporate Governance

CCC is a highly skilled and specialized member of Team Canada Inc. Within its niche role, the Corporation is expected to contribute to the broader Government goals of increasing both Canada's exports and the number of companies exporting, particularly among SMEs. Strong governance structures are vital to the corporate performance these goals demand.

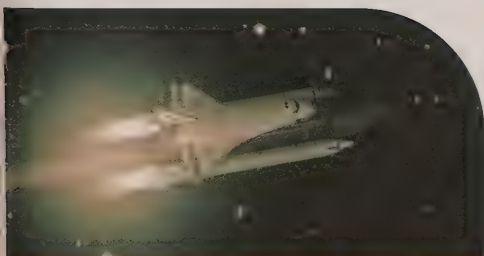
During the CCC review, the corporation's governance structures were examined as part of the interdepartmental process. While structures were examined, the Corporation also took the opportunity to compare its practices to the Guidelines as set out by the Treasury Board in *Corporate Governance in Crown Corporations and other Public Enterprises*.

As a result of that work, recommendations were made by the Minister for International Trade to strengthen CCC's Board of Directors, through the appointment of additional members from the private sector. This in turn will enable the Corporation to develop a more effective committee structure in line with the key objectives and challenges facing CCC.

The Government has also agreed that the Corporation requires a full-time President, and again in keeping with modern governance practices and government guidelines, the office of President should be split from that of Chairman. This will require amendments to the *CCC Act*. Pending that legislation, the new practices will be adopted for Board meetings to reflect those intended changes.

Throughout 1998-99, the Board has been actively involved in the corporate and strategic planning processes of CCC. This includes ensuring that the principal risks facing the Corporation are identified and understood and that management practices and systems are in place to deal effectively with them.

With the completion of the interdepartmental review of CCC, for example, the Board requested the Corporation to undertake a strategic planning program to provide a clear vision of CCC's future in the trade environment of the 21st century. While not yet complete, the analysis of CCC's processes and results, market scoping studies, and client consultation undertaken has formed the basis for CCC's five year corporate plan, and for business development planning. Similarly, the Board has been actively involved in ensuring the Corporation is well placed on Y2K related issues.



The Way Ahead

The Corporation is confident that in the year ahead it can build from its larger client base and offer service enhancements that will increase its contribution to the Government's trade agenda.

CCC is at a cross-roads. For an organization of its size, with limited resources, and cost recovery available to it on less than 40% of its current business, CCC has nevertheless seen significant growth in the number of companies accessing its services. It receives high client satisfaction scores, and has a loyal and committed clientele. More than 90% of its clients indicate they expect to continue utilizing CCC services in the years ahead.

At the same time, the Corporation is not as well known or understood as it could be. It has two communications challenges: reaching those firms which could use its services but are unaware of them, and, secondly, reaching companies who only know CCC as it was 10 years ago. These potential clients are currently unaware of CCC's success with a wider range of government buyers beyond the defence sector, its relevance with private-sector buyers, and its increasing utility in meeting the particular needs of SMEs.

CCC must define its services so that CCC employees can readily describe them to prospective buyers, who will perceive their value in the context of their own business. CCC must offer a menu of services from which clients can select what is needed for *their* business.

For example, an exporter may not always need the full prime contractor offering of CCC, but will need selected tools (which CCC uses in its prime contractor role) to successfully land sales. In another scenario, larger, more experienced exporters don't require the same services as smaller firms entering a market for the first time.

Throughout 1999–2000, a number of pilot projects and programs offered jointly with other partners will enable the Corporation to determine how its services are best designed and offered. It will do so by strengthening its alliances with other trade partners and its relationships with foreign buyers, to pull demand to Canada. It will also identify those companies, by sector and by market, which are most likely to need CCC services over the next two years.

In its most recent study of smaller exporters, DFAIT indicates that there are 8,000 SMEs conducting export sales of between \$500,000 and \$5 million each year. These firms are large enough to have a sustained commitment to exporting, but require many of CCC's capabilities.

Some of the greatest restraints they face in growing their business is in obtaining financial instruments for exports, whether it is working capital, performance bonds, or letters of credit. For SMEs, one of the most tangible benefits of working with CCC is the leverage which CCC's presence provides in getting those instruments. CCC's experience, track record and status as a government entity enhances SME performance and credit worthiness. CCC's record in properly assessing, planning and monitoring an SME to successfully execute a project can lever sources of financing for projects which might otherwise be closed to them.

CCC is at a cross-roads. For an organization of its size, with limited resources, and cost recovery available to it on less than 40% of its current business, CCC has nevertheless seen significant growth in the number of companies accessing its services. It receives high client satisfaction scores, and has a loyal and committed clientele. More than 90% of its clients indicate they expect to continue utilizing CCC services in the years ahead.

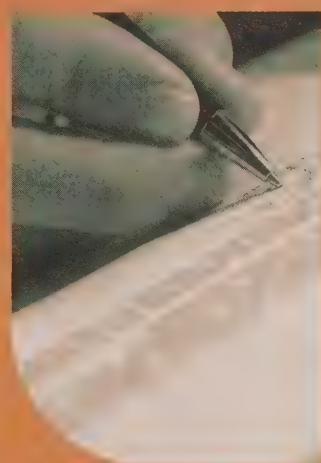
At the same time, the Corporation does not take on any uncovered risks, and normally passes all obligations under the sales contract to its exporters. Since many SMEs cannot always assume every obligation under CCC's standard practices on risk management, the Corporation is limited from many smaller exporters. If CCC is to maximize its contribution to the SME trade agenda, it must determine a different practice or policy for firms of this size, one that is sustainable within the Corporation's limited working capital.

In addition to expanding risk tolerance levels, CCC must seek sources of risk capital to sustain more SME activity than the Corporation would normally take. In 1999-2000 and beyond,

CCC will pursue options for SMEs (including the extension of the concepts which created the PPP) in partnership with other public sector agencies and private sector lending agencies.

The strength of CCC lies in its ability to customize its services to client needs and to anticipate changing business requirements. As CCC's client base expands and Canadian exporters become more aggressive in target sectors and markets, the people of CCC will be challenged by changes in industry, technology, buyer expectations and market developments. Increasingly, CCC will be called upon to operate in an environment which encourages organizational flexibility and promotes continuous learning.

CCC's business vision is evolving into one which is more client-focussed and entrepreneurial. The Corporation must ensure that the competencies necessary to meet these new demands are developed, while sustaining its traditional core expertise. Entering the millennium, significant time and effort must be dedicated to creating an integrated human resources strategy that enables the Corporation to carry out its important mandate in an increasingly commercial environment.



CCC's Activities Around the World

Contracts and/or Positive-Value Amendments were transacted through Canadian Commercial Corporation with the following customers during 1998–1999:

Argentina

San Luis Province,
San Luis
Simons de Argentina
S.A.I.C., Buenos Aires

Australia

Commonwealth of
Australia
Defence Science and
Technology Organization,
Salisbury SA
Department Of Defence
St. Mary's Cathedral,
Sydney
The Cathedral of St.
Andrew, Sydney

Austria

Republik Österreich,
Vienna

Bahamas

Ministry of Public Works

Barbados

Education Project
Implementation Unit

Bermuda

The Bermuda Regiment

Chile

Metrogas S.A.

Colombia

Area Metropolitana de
Cucuta
Empresa de
Telecomunicaciones,
Bogota

Cuba

Abatur S.A.
Empresa Contruimport,
Havana
Empresa Ferrimport,
Havana
Empresa Tractoimport,
Havana
Energoimport, Havana
Provedora General Del
Transporte, Havana

Denmark

Danish Army Materiel
Command
Missionpharma A/S

France

Groupe d'Études Sous-
Marines de l'Atlantique
GESMA, Brest Naval

Germany

Bundesamt fur
Wehrtechnik, Koblenz
Balcke-Durr GMBH,
Ratingen
Design Homes, Berlin
Ministry of Defence
IBCOL Technical Services
GmbH, Haar
MTU Motoren-Und
Turbinen, Ludwigsfelde
SOLON AG fur
Solartechnik, Berlin
Sparkasse Hanaurland,
Hauptstrabe
TIMOWA Projektierungs-
und, New Roggentin

Guinea

Ministère du Plan et de la
Coopération, Conakry

India

Mahanagar Gas Ltd.,
Mumbai

Iran, Islamic Republic of

Iranian Civil Aviation
Organization, Tehran

Ireland

MAC Aviation Limited,
Co. Sligo

Japan

FM America Inc., Tokyo
Itochu Aviation Co. Ltd.,
El Segundo
Riken, Saitama

Korea, (Republic of South Korea)

Korea Institute of
Machinery and Materials
(KIMM), Taejon

Kuwait

Ministry of Defense, Safat

Luxembourg

Nato Maintenance and
Supply Agency (NAMSA),
Luxembourg

Malaysia

George Kent Berhad, Jalan
Semangat

Mexico

Bombardier Concaril,
S.A. de C.V
Organizacion Soriana
S.A. de C.V

Morocco

Leader Food S.A., Q.I. Ain
Sebaa
Trésorerie Générale du
Maroc

Nepal

Ministry of Tourism and
Civil Aviation, Kathmandu

Netherlands

Koninklijke Nederlandse
Akademie van
Wetenschappen,
Amsterdam
Ministry of Defence
Royal Netherlands Air
Force

Norway

Royal Norwegian Navy

Portugal

Ministry of National
Defence

Saudi Arabia

Saudi Oger Ltd., Riyadh
Saudi Trading Agencies,
Jeddah

Singapore

Singapore Technologies
Automotive Ltd.,
Singapore



South Africa

Eastern Gauteng Services
Council, Germiston
South African Police
Service, Pretoria

Spain

Gamesa Industrial, Vitoria

Sweden

AB Svenska Spel,
Sundbyberg
Helsingborg Energi AB,
Helsingborg

Tanzania, (United Republic of)

Tanzanian Railway
Corporation

Thailand

National Research Council
of Thailand

Trinidad and Tobago

The National Insurance
Board, Port of Spain

United Kingdom

British Aerospace Limited
Defence Clothing and
Textiles Agency
Island Waste Services
Limited
Ministry of Defence
Rolls-Royce Derby,
London
Royal Air Force,
The Association of Friends
of the Chapels Royal,
London
The Parochial Church
Council of the Abbey
Church, Hexham,
Northumberland

United States of America

U.S. Air Force
U.S. Army
U.S. Coast Guard
U.S. Defense Logistics
Agency
U.S. Defense Mapping
Agency
U.S. Marine Corps
U.S. Navy
U.S. National Guard
NASA
Augustana Lutheran
Church, Washington
Boeing Aerospace
Operations Inc., Midwest
BusyBody Fitness
Warehouse, Dallas
Commerce Corporation,
Baltimore
Daiho Trading Co. Ltd.
Department of the
Treasury, Washington
Dunn-Malco, Kansas City
Family Dollar Services,
Inc., Charlotte
First Presbyterian Church,
Newport News
First Presbyterian Church,
Greensboro
Fleet & Industrial Supply
Center, San Diego
General Motors
Corporation, Grand Blanc
General Services
Administration,
Washington
Goddard Space Flight
Center, Greenbelt
H.R.H. Construction
Corporation, New York
Hingham Municipal
Lighting Plant, Hingham

Holy Trinity Lutheran
Church, Hickory
J.O. Collins Contractor
Inc., Biloxi
Jet Propulsion Laboratory,
Pasadena
Kampi Components Co.,
Inc., Bristol
Kirtland Contracting
Center, Albuquerque
Lease/Sellen, Seattle
Lockheed Martin, St. Paul
Marine Hydraulics
International Inc., Norfolk
Marlyn Steel Decks Inc.
Tampa
NASA-Ames Research
Center, Moffett Field
NAVSSES, Carderock
Division, NSWC,
Philadelphia
National Guard Bureau,
Falls Church
National Imagery &
Mapping Agency,
Chantilly
Office Of Parks,
Recreation, Albany
Oklahoma City Air
Logistics Center,
Oklahoma City
Omron Systems Inc.,
Schaumburg
Perfection Hydraulics Inc.,
Evansville
Picotte Companies, Albany
Plaza Construction
Corporation, New York
Puget Sound Naval
Shipyard, Bremerton
Raygal Inc., Irvine
Red River Army Depot,
Texarkana

Rock Island Arsenal, Rock
Island
Spawar Systems Center,
San Diego
St. Ann's Catholic Church,
Washington
Swinerton & Walberg Co.,
Los Angeles
The Church of the
Ascension and Saint
Agnes, Washington
The Stanley Works, Troy
Tracor Aerospace
Electronics System Inc.,
Lansdale
Transdyn Controls, Inc.,
Pleasanton
Trinity Episcopal Church,
Reno
Trinity United Methodist
Church, Tallahassee
U.S. Department of State,
Arlington
USIA, International
Broadcasting Bureau
Voggen Inc., Houston TX
Wallops Flight Centre
Warner Robins Air
Logistics Center
Wright Laboratory



Financial Statements

1998–1999

Management Responsibility for Financial Statements

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.


In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.



Robert G. Wright
President



Paul Thoppil
Chief Financial Officer
Ottawa, Canada

Auditor's Report


To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 1999 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 4, 1999

Balance Sheet

AS AT MARCH 31, 1999 (in thousands of dollars)

ASSETS

	1999	1998
Cash and short-term deposits (Note 3)	\$ 51,770	\$ 46,640
Accounts receivable (Note 4)	160,691	179,871
Advances to suppliers	29,010	40,664
Progress payments to suppliers	44,731	39,890
	<u>\$ 286,202</u>	<u>\$ 307,065</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 4)	\$ 168,841	\$ 186,459
Advances from customers	48,852	62,166
Progress payments from customers	44,065	38,389
Provision for additional contract costs (Note 5)	279	1,522
	<u>262,037</u>	<u>288,536</u>
Employee termination benefits	998	1,012
	<u>263,035</u>	<u>289,548</u>
Contingencies (Note 7)		

EQUITY OF CANADA

Contributed surplus (Note 1)	15,000	10,000
Retained earnings	8,167	7,517
	<u>23,167</u>	<u>17,517</u>
	<u>\$ 286,202</u>	<u>\$ 307,065</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Chairman and President



Director

Statement of Operations and Retained Earnings

FOR THE YEAR ENDED MARCH 31, 1999 *(in thousands of dollars)*

REVENUES	1999	1998
Contract billings (Note 8)	\$ 788,709	\$ 953,253
Interest and other income	1,880	1,191
Cost recovery (Note 9)	1,747	1,818
Gain on foreign exchange	1,040	495
	793,376	956,757
EXPENSES		
Cost of contract billings (Note 8)	788,709	953,253
Additional contract costs	1,057	261
Administrative expenses	13,403	13,716
	803,169	967,230
Net results of operations before parliamentary appropriation	(9,793)	(10,473)
Parliamentary appropriation	10,443	10,738
Net results of operations	650	265
Retained earnings at beginning of year	7,517	7,252
Retained earnings at end of year	\$ 8,167	\$ 7,517

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 1999 *(in thousands of dollars)*

CASH FLOWS FROM OPERATING ACTIVITIES

	1999	1998
Receipts from customers	\$ 800,123	\$ 900,708
Interest and other income received	4,667	3,504
Payments to suppliers	(801,604)	(910,360)
Administrative payments	(13,499)	(13,000)
Cash flows used in operating activities (Note 12)	\$ (10,313)	\$ (19,148)

CASH FLOWS FROM FINANCING ACTIVITIES

Parliamentary appropriation- operating	\$ 10,443	\$ 10,738
Parliamentary appropriation- contributed surplus	5,000	
Cash flows from financing activities	\$ 15,443	\$ 10,738

Increase (decrease) in cash and short-term deposits	5,130	(8,410)
Cash and short-term deposits at beginning of year	46,640	55,050
Cash and short-term deposits at end of year	\$ 51,770	\$ 46,640

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Nature, Organization and Funding

The Corporation was established in 1946 by the Canadian Commercial Corporation Act and is an agent Crown corporation listed in Part I of Schedule III to the Financial Administration Act.

The Corporation generally acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign governments, international organizations and other buyers. Corresponding supply contracts are entered into with Canadian firms by the Corporation.

The Government has provided the Corporation with \$15 million as contributed capital. The increase of \$5 million over the prior year is a result of an additional working capital injection received during the year. The Corporation also has authority to draw loans from the Consolidated Revenue Fund in amounts up to a total of \$10 million as required to supplement its working capital. Annually, the Corporation's operations are primarily funded through a parliamentary appropriation.

The Corporation is not subject to the provisions of the Income Tax Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its contract billings, and related costs, when a delivery has taken place thus passing title to the customer, or, in the case of progress payments, upon receipt of progress billings from suppliers for work performed.

The Corporation uses the percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress payments made to suppliers as an asset and the progress

payments received from customers as a liability. The related progress payments are reduced when deliveries are accepted by the customer.

Progress payments from customers and to suppliers, represent payments made by foreign buyers and to Canadian exporters respectively on contracts where the partial recoupment of costs (usually up to 80%), associated with the work performed on a contract leading up to delivery, is allowed. Given that the payment flows through to the Canadian exporter, the liabilities are essentially offset on the asset side of the balance sheet.

Advances from customers and to suppliers represent a down payment made at the outset of the contract, before any work has been performed, as agreed upon by the foreign buyer.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Contracts with foreign customers and corresponding contracts with Canadian suppliers are generally entered into in the same currency. The Corporation uses this and other techniques in order to effectively transfer currency risk to the supplier.

The Corporation maintains working capital in other currencies to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Parliamentary appropriation

The parliamentary appropriation is recorded in the Statement of Operations and Retained Earnings in the year for which it is approved.

(d) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Cash and Short-term Deposits

As at March 31, 1999, cash and short-term deposits include:

	Year ended March 31			
	1999		1998	
(in thousands)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
Canadian dollars	\$27,381	\$27,381	\$11,893	\$11,893
U.S. dollars	13,707	20,680	22,019	31,263
Australian dollars	2,594	2,482	724	678
German deutsche mark	527	440	2,815	2,156
British pound sterling	323	787	274	650
		\$51,770		\$46,640

The Corporation invests in short-term deposits in Canadian Schedule A banks. Average term to maturity was less than 7 days (1998- 21 days). The overall portfolio yield at March 31, 1999 was 4.8% (1998 - 5.2%). Cash and short-term deposits are valued at cost which approximates the market value.

Of the cash and short-term deposits, \$35,695,000 (1998- \$37,425,000) represents funds received from foreign customers which will be remitted to Canadian suppliers at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. Accounts Receivable and Accounts Payable

Accounts receivable are due on normal international trade terms and are non-interest bearing.

Accounts payable are due on normal trade terms, except those due to small and medium sized enterprises which are paid within 15 days. In neither case is interest payable.

5. Provision for Additional Contract Costs

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of \$279,000 as of March 31, 1999 (1998 - \$1,522,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

6. Contractual Obligations

The Corporation is obligated to complete numerous contracts with foreign customers. As at March 31, 1999, the total contract value remaining to be fulfilled approximates \$1.1 billion (1998- \$1.1 billion).

Under the Progress Payment Program the Corporation also indemnifies participating banks for amounts they have advanced to Canadian suppliers. To offset these indemnities, the Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 1999 is \$6,804,000 (1998 - \$4,719,000).

7. Contingencies

The Corporation has been served with two statements of claim arising from its contracting operations. While the damages being claimed by one of the plaintiffs are significant, based on advice from legal counsel, the potential liability of the Corporation and consequent damages arising from such a liability are, at present, not determinable.

Amounts, if any, payable on claims by the Corporation will be recorded in the year in which they can be determined.

8. Contract Billings

Contract billings are distinct from Corporate business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 1999 amounted to \$748 million (1998 – \$1.020 billion).

Contract billings arising from the Corporation's facilitations of sales of Canadian goods to foreign governments, international agencies and other buyers throughout the world were distributed as follows:

<i>(in thousands of dollars)</i>	Year ended March 31	
	1999	1998
U.S. Government and buyers	\$ 527,393	\$ 628,363
Other Foreign Governments and buyers	242,869	298,560
United Nations Agencies	18,447	26,330
	\$ 788,709	\$ 953,253

9. Cost Recovery

The Corporation recovers its costs on a number of its contracts, mainly international sales. Its ability to recover costs is restricted by the Corporation's Act and international agreements. For the year ended March 31, 1999, cost recovery amounted to \$1,747,000 (1998- \$1,818,000).

10. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation

enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Generally, Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 1999 the cost of these services amounted to \$3,083,000 (1998- \$3,701,000) and are included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is estimated that the cost of this service would approximate \$1 million based on the amount that was transferred from the Corporation's funding level, to Public Works and Government Services Canada, during fiscal year 1993-94. The value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 1999 the cost of legal fees and expenses for specific actions amounted to \$479,000 (1998 – \$608,000) and are included in administrative expenses.

In addition to the above, government departments provided the Corporation with certain administrative services without charge. The value of these services is not recorded in the Corporation's accounts.

As a result of all related party transactions, the amounts due from and to these parties are \$136,000 (1998 – \$240,000) and \$888,000 (1998 – \$1,098,000) and are included in the accounts receivable and accounts payable respectively.

11. Insurance

The Corporation carries specific insurance relating to fraud, computer hardware and software, office furniture and fixtures, and travel accident and medical.

In addition, effective August 1, 1998, the Corporation obtained default insurance that covers it against additional contract costs in excess of \$4 million per annum, with a maximum coverage of \$75 million.

12. Lease Commitments

Effective October 1, 1995, the Corporation entered into a ten-year lease agreement for office space. The annual payments for the duration of the lease will approximate \$775,000.

13. Reconciliation of Net results of operations before parliamentary appropriation to Cash used in operating activities

<i>(in thousands of dollars)</i>	Year ended March 31	
	1999	1998
Net results of operations before parliamentary appropriation	\$(9,793)	\$(10,473)
Adjustments to reconcile net results to net cash used by operating activities:		
(Increase) decrease in accounts receivable	19,180	(56,168)
(Increase) decrease in advances to suppliers	11,654	(5,282)
(Increase) decrease in progress payments to suppliers	(4,841)	(2,486)
Increase (decrease) in accounts payable and accrued liabilities	(17,618)	50,819
Increase (decrease) in advances from customers	(13,314)	2,930
Increase (decrease) in progress payments from customers	5,676	1,674
(Decrease) in provision for additional contract costs	(1,243)	(120)
(Decrease) increase in employee termination benefits	(14)	(42)
Total adjustments	(520)	(8,675)
Cash used in operating activities	\$(10,313)	\$(19,148)

14. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

15. Comparative Figures

Certain 1997-98 figures have been reclassified to conform with the current year presentation.

CA1
DP73
- A56

Government
Publications



Canadian
Commercial
Corporation

ANNUAL REPORT 1999-2000

On TARGET for Export Growth

Canada

Board of Directors

(April 1, 1999 to March 31, 2000)

Chair: Mr. Douglas Patriquin

President, Canadian Commercial Corporation
Ottawa, Ontario

Mr. John M. Banigan

Assistant Deputy Minister, Industry Sector
Industry Canada
Ottawa, Ontario

Ms. Helen Gillespie

Vice-President, Operations
SweetRipe Drinks Ltd.
Mississauga, Ontario

Mr. R. Leonard McNeil, CA

Partner
Grant Thornton
Halifax, Nova Scotia

Ms. Kathryn McCallion

Assistant Deputy Minister
International Business, Passports
and Consular Affairs
Department of Foreign Affairs
and International Trade
Ottawa, Ontario

Mr. William Clarke

Assistant Deputy Minister, International
Business and Chief Trade Commissioner
Department of Foreign Affairs
and International Trade
Ottawa, Ontario

Mr. André Trépanier, FCA

Investment Advisor
RBC Dominion Securities Inc.
Montreal, Quebec

Officers

Mr. Douglas Patriquin

President

Ms. Tamara Parschin-Rybkin, QC

Co-ordinator, Legal Services and
Secretary to the Board

Mr. Hugh O'Donnell

Executive Vice-President,
Business Development and Operations

Mr. Glen Nichols

Vice-President, Corporate Strategy and Marketing

Mr. Paul Thoppil

Chief Financial Officer

Ms. Sharon Fleming

Director, Human Resources and Administration

Canadian Commercial Corporation

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Ce document est également disponible en français.

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Message from the Minister

Canada's trade picture is strong, and getting stronger. In 1999, we set our eighth consecutive record-breaking year in exports, and the pay back to Canada has been in jobs. Today, one in three jobs depends on exports and most of the 2 million jobs created since 1993 are related to our growth in trade. We have seen some dramatic transformations toward "the new economy" and that shift is showing in the mix of our exports.



Canada-U.S. free trade. Based on its ability to guarantee contract performance to a buyer and its special government status, it has been instrumental in not just opening doors, but providing the practical contract advice and assistance Canadians need to turn business opportunities into export sales. This past year, CCC's exporters came from a wider range of industries than ever before.

Today, fully two-thirds of our exports are in high value-added areas, and it is clear that Canadian companies are taking on global competitors in knowledge-intensive sectors and showing that we can compete with anyone, anywhere. This bodes very well for our continued success as a trading nation in a modern economy.

As Minister for International Trade, my key responsibilities are trade policy, trade promotion, trade finance and investment. I want to win access to markets by strengthening the international rules-based trading system, creating the appropriate infrastructure through international agreements and supporting our trade agencies, which are key to the competitiveness of our exporters.

The Canadian Commercial Corporation has a long and distinguished record of service to Canada's exporters and their customers abroad. Its unique role as an export sales agency has led to Canadian success in complex markets. It was providing a privileged access for Canadians to the U.S. defence and aerospace markets long before the advent of

In speaking of trade, too often we forget that it is not about facts and figures, but first, foremost and always, about people: people finding rewards for their efforts, markets for their products and services, creating businesses, jobs and hope for their future. It is for this reason that I particularly appreciate the role played by CCC within Team Canada Inc. In Chile, Argentina and Uruguay I witnessed first-hand how CCC works with exporters, foreign buyers and other trade players to land a sale. In these projects CCC made the difference by scoping out the opportunity, making the Canadian bid more attractive, and providing the customized, practical assistance needed to let the exporter and buyer successfully do business with each other. As we all face the challenges of building on the gains we have made in trade, CCC will continue to be a key ingredient for success in specialized markets throughout the world.

The Honourable Pierre S. Pettigrew

Minister for International Trade

On Target for Export Growth

A Year of Achievement, A Year of Renewal

As the Canadian Commercial Corporation (CCC) entered 1999-2000, an interdepartmental review of its activities had concluded that the Corporation makes a unique contribution to the success of Canadian exporters, and that its specialized services are best delivered through a separate Crown corporation dedicated to export sales. This vote of confidence from the Government of Canada was followed by the appointment of the Corporation's first full-time president since 1991, a commitment to strengthen its Board of Directors with increased representation from the private sector, and an injection of an additional \$5 million in capital.

Throughout the year, CCC has laid the groundwork to increase its contribution to export sales, grow its business, sustain that growth, and provide enhanced levels of service to a much larger and broader group of exporters. It undertook market studies, assessed exporters' needs and

solicited the views of its clients, its shareholders, and other public and private trade stakeholders. All of this input helped the Corporation emerge with a clear vision for itself in the global economy.

With that work complete, CCC enters the new century with ambitious plans, which it will now implement to increase awareness, invest in marketing and technology, and build on its strengths to ensure it can meet its clients' changing needs.

While 1999-2000 saw significant planning for the future, it was also a year of setting business records for CCC's exporters and their customers abroad.

In 1999-2000, a total of 1,810 Canadian firms worked with the Corporation to put the power of Canada behind their international sales efforts. Some 280 of them sold through CCC to buyers in 38 countries, for a record business total of \$1.1 billion.

Over 30 per cent of the companies working with CCC were new to the Corporation, while 80 per cent of them were small and medium-sized enterprises (SMEs). These companies gave the Corporation its highest client satisfaction scores ever, and once again CCC's clients gave it their highest ratings among the trade services they used that year.

CCC's exporters represent virtually all sectors. As globalization has liberalized trade, particularly with respect to public-sector purchasing, Canadians are increasingly interested, and competitive in these specialized procurement markets. The year has seen increasing numbers of companies from Canada's environmental technologies, advanced technologies and other knowledge-based industries accessing CCC's services. Together with its exporters, CCC is carrying out existing projects, and developing proposals in more countries than ever before. These projects also

involve sales to buyers in the private sector, whether on a strictly commercial basis, or where private firms are acting on behalf of government buyers.

In the last three years, CCC has increased its client base

by over 80 per cent and has redoubled its efforts to work with its customers abroad to pull foreign demand to Canada. The key to CCC's success this year has been its ability to strengthen its relationships with Canadian exporters, with

foreign buyers, and to formalize its ties with its partners within Team Canada Inc to enhance service accessibility and delivery to all Canadian exporters who can benefit from them.

Role and Services

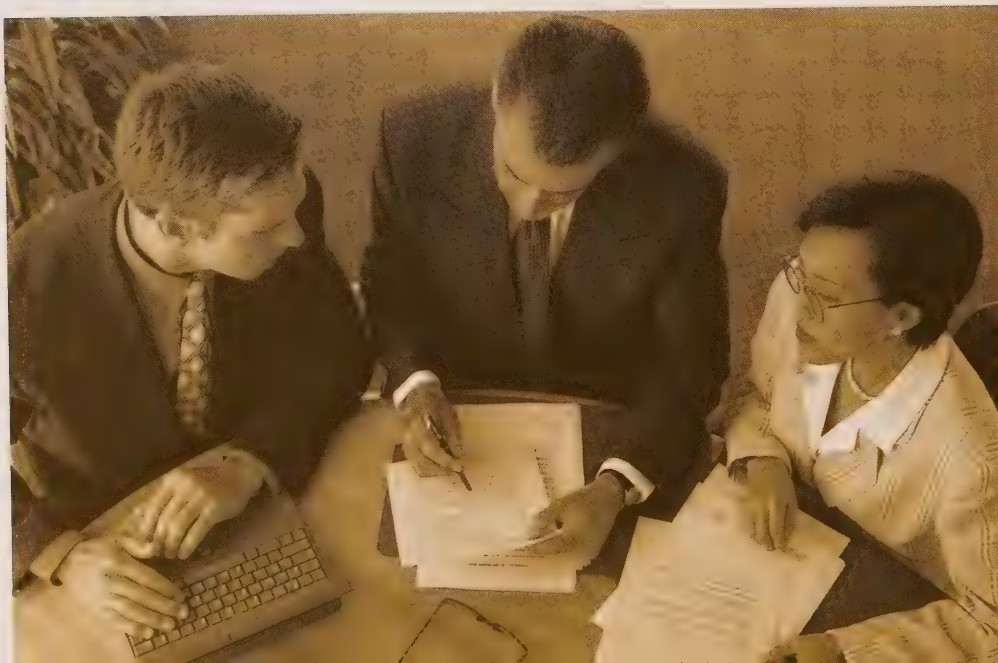
The Canadian Commercial Corporation is in the export sales business. Using its governmental status to sign sales contracts on behalf of Canadian exporters, the Corporation puts the power of Canada behind an export sale, guaranteeing its full and satisfactory completion.

CCC's participation adds a dimension to the relationship between buyer and seller. It does so by signing international contracts on behalf of Canadian companies, and providing

buyers with its guarantee of effective completion of a sale with respect to price, quality and terms.

When an exporter sells a product or service through CCC, it makes it a sale by the Government of Canada. This provides foreign buyers with a unique asset: the assurance that when they purchase through CCC, the contract will be completed according to its terms. By minimizing a buyer's perceived contract performance risks,

CCC's involvement wins Canadian exporters access to market opportunities, enables them to win business on better contract terms, and helps them obtain working capital from commercial sources. CCC is particularly effective in helping Canadian exporters sell in the specialized and complex markets of foreign governments and international organizations. CCC provides special access to the United States defence and aerospace markets. Its services are also



available for Canadian sales to private-sector buyers worldwide.

Centred on its ability to sign and guarantee export contracts, CCC provides a range of services which assist Canadian exporters and their customers abroad at every stage of the export sales process.

In the business development phase, CCC identifies opportunities and sources them to qualified Canadian companies, identifies Canadian sources of supply for foreign buyers, and assists companies or groups of companies to structure proposals in response to business leads.

In the contracting phase, CCC works with an exporter in the preparation of bids, and helps negotiate and sign a contract with the buyer. CCC's participation can enhance an exporter's ability to arrange contract financing either through accessing pre-shipment financing through banks, or through CCC's own service enhancements such as the offer of open account on contracts with certain customers in the Organization of Economic Cooperation and Development (OECD) countries, negotiation of advance payment from buyers, and the accelerated payments it offers SMEs. As

the contract is performed, CCC monitors performance, administers payment and helps mediate conflicts, should they arise.

In U.S. markets, CCC identifies U.S. federal government business opportunities and matches them to the profiles of qualified Canadian firms registered to do business in that market. CCC also provides and maintains the special access that Canadian exporters have to the U.S. defence and aerospace markets under the Defence Production Sharing Arrangement (DPSA).

In other countries, CCC acts as a prime contractor on behalf of Canadian exporters in the sale of goods and services to foreign buyers around the world, helping them develop proposals, bid, and win export projects on favourable terms. CCC can also act on behalf of foreign buyers to find qualified sources of supply in Canada for their requirements, and then contract to meet those requirements at fair and reasonable prices.

CCC facilitates access for SMEs to commercial sources of pre-shipment export financing through the Progress Payment Program (PPP), and provides contract management services when requested.

CCC works with the members of Team Canada Inc to ensure that when an exporter seeks assistance, it can draw on all the levers of the Government of Canada to bring that business home. Its services complement the market intelligence and access services available from the Department of Foreign Affairs and International Trade (DFAIT) through its posts abroad, and the buyer financing and export insurance services of the Export Development Corporation (EDC).

CCC's range of services is relevant to exporters of all sizes and experience. For smaller, newer exporters, CCC's greatest value often lies in accessing its expertise to reduce red tape, minimize risks, negotiate contracts and win enhanced payment terms. For larger companies already enjoying an international reputation, the main benefit is CCC's government-to-government role, which can be used to facilitate sales to public-sector buyers abroad on a sole-source basis.

Big, medium or small, all exporters value CCC's ability to choose from among those tools and customize a solution to meet their particular needs and those of their customers abroad to land sales.

Douglas Patriquin, President
Canadian Commercial Corporation



President's Report

In May of 1999, I was appointed President of the Canadian Commercial Corporation, its first full-time president since 1991. Since I came to the Corporation in 1993, its story has been one of change and growth: change in exporter needs, the requirements of foreign buyers, and the types of goods and services those buyers are looking to find in Canada, and growth in the number of its exporters and the markets where they work with CCC.

In the past year, the Corporation achieved an impressive list of "firsts." Among these firsts set on behalf of its exporters, CCC reached its highest business volume ever, and that came from working with Canadian exporters from more sectors and in more markets than ever before. The Corporation received a record revenue from its optional services, and in delivering its services, CCC received its highest-ever client satisfaction scores.

This record of achievement can be found in all parts of the Corporation. Its business in the U.S. market grew an impressive 20 per cent, with this total representing sales of a wider range of civilian and military products to a greater number of buyers.

In its international sales, the Corporation exceeded the previous year's total by 56 per cent, with that volume resulting not from one or two exceptional sales, but from a sustained increase in the number of lower-dollar-value contracts in international markets on behalf of SMEs.

Finally, completing its fifth full year of operation, the Corporation's Progress Payment Program, which enables SMEs to access commercial sources of financing for export sales, achieved a record total of \$85 million, its highest ever. In its first five years of operation, the Program has enabled SMEs to access \$300 million in export financing which would otherwise not have been available to them, and has seen the number of Canadian financial institutions participating in the program increase from five to nineteen.

While setting new records, the Corporation also embarked on a process to create a long-term vision of what CCC would look like, and what contribution it would make to the Government's trade agenda.

The elements of that vision rapidly became clear: CCC is in the business of developing Canadian trade. It has the unique ability among public agencies to sell goods and services on behalf of Canadian companies, thereby putting the Government's credibility behind capable Canadian exporters. It must provide services that respond proactively to the needs of both its exporters and their customers abroad, and contribute strategically to the Government's trade and economic policies.

To work effectively, it must align itself closely with related trade agencies in Team Canada Inc. It must also make itself known more broadly in order to promote its services to companies that can use them, and seek out markets where its capabilities can make a strategic difference to the success of Canadian exporters.

These elements form the foundation of CCC's plans to increase the number of its clients, and its business over the next five years. After an internal review of its business and potential, CCC's management put the following vision forward:

To fulfil its mandate "to assist in the development of trade," CCC should be recognized broadly as an agency that significantly increases the ability of Canadian companies to land export sales on improved terms. It will promote its services as an agency skilled in making export sales happen, employing its unique powers to mitigate contract risk and offering related services to put successful deals together.

The Board of Directors approved this vision for CCC and requested management to undertake studies in a number of areas to assist the Corporation in elaborating and realizing that vision.

Throughout 1999-2000, CCC, with the assistance of independent experts, identified where and how it could best contribute to the success of Canadian exporters. These studies assessed exporters' needs, potential foreign markets where CCC can make a difference to Canadian success, and CCC's current and required financial structure, if it is to reach its business potential. What these studies indicate is that government procurement markets have never been more attractive to Canadian exporters, and CCC should significantly increase its efforts on their behalf. Much of this growth will come from SMEs, which need the type of hands-on, customized support CCC provides.

Over the past four years, CCC has pursued a four-track strategy to better serve Canada's exporters and their customers abroad: increasing *awareness*, enhancing *services*, targeting *markets*, and ensuring the Corporation has the *capacity* to meet its clients' expectations and needs. As a result of the work it has done in 1999-2000, the Corporation enters the 21st century with a clear game plan

for each strategy. By 2005, CCC is committed to realizing the following initiatives and activities:

- **Awareness:** CCC will be recognized broadly within the export community, understood by 10,000 exporters and used each year by 3,000 exporters with a special emphasis on SME clients.
- **Services:** CCC will offer its clients the services they need to make an export sale happen, and will do so by providing services related to its core expertise and facilitating access to the services of other institutions through partnerships and alliances.
- **Markets:** CCC will target countries and sectors of strategic importance to Canada, where it can increase the success rate of Canadian exporters in sales to foreign governments, international institutions and other select buyers, and will aim for a balanced portfolio with 50 per cent of its business volume coming from its mandated services such as the DPSA, and 50 per cent from other markets.
- **Capacity:** CCC will strengthen its finances to enable it to grow and deliver quality services in order to meet changing client needs.

In 1999-2000, CCC pursued each of these four tracks, setting the course to achieve its long-term goals.

The Corporation has started re-engineering its Website (www.ccc.ca) to transform it into an interactive business site, enabling clients to register on-line, update their company profiles, and allow companies to interact with CCC on their active contract files. The Corporation also entered into a new partnering arrangement with Industry Canada on its *SourceCan* initiative, which will enable more companies to access CCC's U.S. Business Opportunities site, and utilize its bid-matching services. These enhancements will enable the Corporation to harness new technologies, and change its processes, so that it can deal with a much larger clientele, particularly among SMEs. The Website will also be at the heart of CCC's plans to keep up with the global pace of change in electronic commerce (e-commerce) among exporters and foreign buyers.

Cross-marketing CCC's services is crucial to its future business, and to offering full services to its exporters. A review of the 1,810 companies using CCC services indicates that the Corporation achieved its 1999-2000 goal of having at least 25 per cent of those firms accessing CCC services to assist them in the U.S. and internationally. The challenge for CCC is to increase the percentage of those firms successfully contracting through CCC in both the U.S. and overseas.

Partnerships are a key element of CCC getting its message across, introducing new exporters to its services, and putting its services to greater effect for clients in combination with those of other trade agencies. This year, CCC formalized a partnership with the Saskatchewan Trade and Export Program (STEP) to channel qualified exporters in that province to the Corporation, and expects to finalize similar arrangements with provincial agencies in Ontario, Alberta and Newfoundland this year. CCC signed a new agreement with

Northstar Financial Services Inc., which will see greater co-operation and referrals between CCC's Progress Payment Program, which provides exporters with access to pre-shipment financing from commercial sources for export sales, and Northstar's post-shipment financing of foreign buyers of Canadian goods and services.

In February 2000, the Government of Canada provided the Corporation with an additional investment of \$6.7 million in two components: a \$5-million repayable working capital appropriation, and \$1.7 million in additional operating funds, both funded from DFAIT reference levels which support the Canada Account. These funds, which follow an investment of \$5 million last year, will enable the Corporation to continue to meet its obligations under the Canada-U.S. Defence Production Sharing Arrangement.

While these initiatives produced excellent results on behalf of Canadian exporters and their customers abroad, the coming year offers an even greater opportunity for CCC to reach



CCC forms partnership with CATA Alliance to more effectively identify and meet the needs of advanced technology exporters. (Globetech, Washington, D.C.)

Douglas Patriquin, President of the Canadian Commercial Corporation (*right*), concludes agreement with President Miguel Rodriguez of Costa Rica for Costa Rica's first Cancer Care Centre. (Sonnybrook Regional Cancer Care Centre, Toronto, Ontario)



more SMEs, in an increasingly diverse range of industrial sectors.

Looking ahead, 2000-2001 will see CCC increase its contribution in select markets and sectors where its services can produce the greatest results for Canadian exporters. The Corporation's traditional markets are changing, and Canadian companies are seeking assistance from CCC in new areas. CCC must keep pace with these changes, and supplement its expertise and enhance its services to establish itself in new sectors and markets.

Among these key challenges:

- *The negotiation of new free trade agreements (particularly in Latin America) and a broader liberalized trade environment means that formerly protectionist procurement markets are more open than ever, but remain difficult for Canadian firms.* CCC must increase its expertise and knowledge in these markets.
- *CCC's core aerospace and defence suppliers must continue to diversify their markets if they are to prosper.* CCC must, with other trade players like Industry Canada, the Aerospace Industries Association of Canada (AIAC) and the Canadian Defence Industries Association (CDIA) develop a strategic role to assist in that diversification.
- *As privatization of procurement functions continues, governments are holding their new private-sector buyers responsible for all procurement risks; as a result, these contractors will increasingly be interested in CCC's ability to strictly control their risks when purchasing from Canadian sources.* CCC must first target those contractors and make its services and value known to them.
- *International buyers are looking for integrated solutions and turnkey packages; they are contracting to single-source or limited*

suppliers or systems integrators that then subcontract for a full range of goods and services to cover the life of a project. CCC must identify how it can best assist Canadian exporters, particularly SMEs, to participate as subcontractors in such projects.

- *Suppliers of commercial technologies are now selling to defence markets; information technologies are key components of all sectors of strategic importance to CCC, while capital projects are an important source of demand for environmental, transportation, power generation and distribution technologies.* If CCC is to participate in these growth areas, it must identify what relevant role it can play in facilitating systems integration, and by forming supplier-based consortia or joint ventures among Canadian exporters.

- *U.S. military strategies and requirements are changing, reflecting shorter, regional conflicts with a multilateral response with allies or regional powers, and requiring peacekeeping after the conflict.* CCC's DPSA arrangements will offer new opportunities to Canadian companies that can respond to changing U.S. requirements.
- *Successful resolution of the International Traffic in Arms Regulations (ITARs) proposed by the United States is an important element of maintaining Canadian industry's access to worldwide defence and aerospace markets.*
- *E-commerce is the most complex challenge facing CCC.* Now that Year 2000 (Y2K) issues have been overcome, the pace of e-commerce will pick up speed internationally, and will do so also in Canada as

the Government moves forward with its own initiative to provide a secure network for citizens and businesses to interact electronically for government services. It is anticipated this pace of change will mean that most of CCC's services will be delivered electronically by the end of its five-year planning period, providing a great opportunity to streamline and grow its business.

To meet these challenges, CCC intends to build on its strengths, focus on areas where those strengths need to be supplemented, and identify partners with whose products and services its capabilities can be matched to produce greater success for mutual clients.

In the year ahead, more Canadian exporters than ever before will be hearing about CCC, be introduced to its services, and be sitting down with its officers to see how the Corporation can turn business

opportunities into signed deals. Their success is a source of pride at CCC, pride in bringing back to Canada the kind of jobs and growth the country needs, and pride in the difference the Corporation makes to Canada's exporters, the men and women who are taking up the challenge of today's highly competitive global marketplace.

In this, my first year as president, I would like to thank the people at CCC for their commitment and their work, our exporters for making us their partner of choice in the international arena, and our foreign buyers for their confidence that a sale placed through CCC means performance and excellence.

All of us at CCC look forward to the year ahead: more clients, more service, and more export projects successfully won and implemented.



Douglas Patriquin, President
Canadian Commercial Corporation

Business Review
April 1, 1999 through March 31, 2000



The Global Trade Environment

The Canadian Commercial Corporation's clients are aggressive exporters. In 1999-2000, six in ten relied on exports for more than half of their total sales, and at least one in four relied on sales to foreign government agencies for over half of all exports. Close to two-thirds of CCC's exporters expect their sales to foreign governments and other international public agencies to increase within the next two years.

Trends in Government Procurement

The past year witnessed increased activity by Canadian companies in government procurement. This has been evident over the past several years in the growth of CCC's project pipeline and the number of companies seeking CCC's assistance in procurement markets.

Total direct procurement spending on the part of all governments internationally amounted to an estimated US\$5.4 trillion in 1999. The World Bank further estimates that current spending and gross investment activity by governments account for 18 per cent of gross domestic product (GDP) in developed countries, 13 per cent in developing nations, and 19 per cent in transitional economies.

While most goods and services purchased by national governments originate with corporations based in that government's country, an estimated 19 per cent of procurement — or US\$1.05 trillion — was filled from non-resident sources, accounting for 16.5 per cent of world trade. This total includes \$400 billion in military procurement and \$650 billion in export sales for non-military purposes.

Exporters' Needs

In 2000, CCC commissioned Mr. Jayson Myers, Senior Vice-President and Chief Economist of the Alliance of Manufacturers & Exporters Canada (AMEC) to prepare a market study. Mr. Myers was asked to look at CCC's markets, and identify the key trends and target areas where CCC can make a strategic difference to Canadian exporters.

Among the key findings of the *Myers Report* are:

- demand for CCC services will increasingly come from SMEs as they expand into and compete in new markets or require assistance in contract negotiation or in accessing working capital;
- CCC's business volumes will grow from a combination of securing larger-value contracts on behalf of bigger goods and services exporters, as well as from higher-volume and higher-value contracts on behalf of innovative SMEs.
- non-defence public procurement in the U.S. and internationally;
- capital and infrastructure projects in which CCC participates as part of a broader Team Canada Inc support;
- high-value (and predominantly high-technology) SMEs and service exporters;
- the provision of contract consulting and other trade facilitation services for SMEs.

While the Report highlights continuing growth potential in CCC's traditional U.S. and other defence and aerospace business, it sees the greatest areas of potential as:

Markets

U.S. Sales

In 1999-2000, the Canadian Commercial Corporation again set a record in its U.S. business with a total of \$844.6 million, or 77 per cent of its business volume. Of this total, \$638 million was in sales to the U.S. Department of Defense (DoD) under the terms of the DPSA, and \$66.9 million was in sales to the National Aeronautics and Space Administration (NASA). An additional \$9 million was made up of sales to other agencies of the U.S. federal government and various state

and municipal governments. Another \$130.7 million, a record 15 per cent of the business total in the U.S., was in sales to private-sector buyers. Most of these sales were to private-sector prime contractors on U.S. defence requirements, although a significant percentage was also to U.S. private-sector buyers utilizing the Corporation's Progress Payment Program.

This year, the Corporation again saw its activity in light armoured vehicles (LAVs) on behalf of General Motors Diesel Division return to historic levels, with a significant U.S. contract, generating \$202 million in 1999-2000, and an anticipated additional \$200 million annually over the next two years. Yet even outside of LAV business, the year set a record for sales to U.S. defence and aerospace markets with growth of 4 per cent over 1998-99.



A Symbol of Peacekeeping Around the World

The sales success of the light armoured vehicles (LAVs) built in London, Ontario by GM Canada's Diesel Division illustrates the Canadian defence industry's reputation on the world stage and the crucial part CCC plays. Manufactured by General Motors and sold through CCC, the LAVs have served in Kuwait, Kosovo, and most recently in Indonesia, where Australian peacekeepers used them to land in East Timor. CCC has been instrumental in the sale of more than US\$2.5 billion worth of LAVs sold outside Canada since 1981, guaranteeing contract performance on every order.

“We have a world product mandate for General Motors on the LAV, and we export two-thirds of our production. We have a long history of working closely with CCC, which allows us to give our export customers the option of dealing on a government-to-government basis. Our LAV customers not only have the guarantee of General Motors, but also the guarantee of the Government of Canada through CCC.”

Ken Yamashita

Manager, Government Relations
and Industrial Benefits
Diesel Division, General Motors
of Canada Ltd.
London, Ontario



Keeping Pace with U.S. Buyers

The Corporation's business in the United States reflects its efforts to keep pace with changes in the U.S. acquisition system. Since 1993, the U.S. government's program of acquisition reform has presented both a challenge and an opportunity. While it offers Canadian companies simplified rules, easier registration and streamlined processes, it also increasingly brings privatization of U.S. DoD purchasing to the American private sector on major defence purchases. This takes these sales outside of the framework of the DPSA, which has provided Canadians with a level playing field in this market since 1956. Through its Prime Contractor Task Force, CCC has undertaken a visit program to key U.S. prime

contractors to outline how the same services which facilitated DoD's direct purchases from Canadian suppliers are equally effective in assisting prime contractors purchasing on behalf of DoD, but that are obliged to implement DoD procurement rules.

CCC's U.S. results are also a product of its efforts to enhance its relationships with U.S. buyers. This has occurred through the visits to key U.S. DoD buying commands, participation in the North American Defence Industrial Base Program, and presentations to over 80 U.S. defence procurement officers, highlighting the DPSA and CCC's role in assisting them to access quality Canadian sources of supply.

Together with its government partners in DFAIT and Industry Canada, as well as the AIAC and the CDIA, CCC also assisted in developing the Canadian response to the new ITARs proposed by the U.S. government in 1998. These proposals would have eliminated significant portions of previous exemptions from export licensing requirements enjoyed by Canadian companies when purchasing a wide range of products and technologies from U.S. sources. The compromise position reached by Canada and the U.S. will be implemented over the next year, and CCC will continue to monitor that implementation and identify ways of working with the U.S. DoD to mitigate any negative impacts on sourcing from Canada.

Finding U.S. Opportunities

In the United States, CCC's success has also partly resulted from its efforts in bringing specific U.S. opportunities to the attention of qualified Canadian companies. Established in 1996, this "bid-matching" service is based on an electronic version of the *U.S. Commerce Business Daily*, which lists all U.S. federal government opportunities. These opportunities are then vetted at CCC, and

opportunities open to Canadian competition are posted on the CCC Website. The site has a search mechanism, enabling exporters to key in on requirements of most interest to them, review the type and number of opportunities, and help them determine whether they want to include the U.S. procurement market in their international business development efforts.

Since CCC registers Canadian company profiles with the U.S. government, the Corporation is able to operate an electronic system to match incoming U.S. requirements to the capabilities of Canadian firms registered through CCC. These, in turn, are monitored by CCC's bid-matching officers, who then notify Canadian firms of these opportunities.

Innovative Aerospace Solutions

Bristol Aerospace Limited has a long-standing reputation with the United States government for performing innovative and quality repairs to jet engine components and afterburner assemblies. That reputation is getting even stronger. The company is a year ahead of schedule on one of its many U.S. contracts — repair of the F101 divergent flap for Tinker Air Force Base.

In 1998, Winnipeg-based Bristol Aerospace, a Magellan Aerospace company, designed and developed a repair procedure for divergent flaps that the air force base would otherwise have scrapped. The requirement was put out to tender, and Bristol's quote, certified by the Canadian Commercial Corporation, was successful. The company has since received seven purchase orders against the original multimillion-dollar contract.

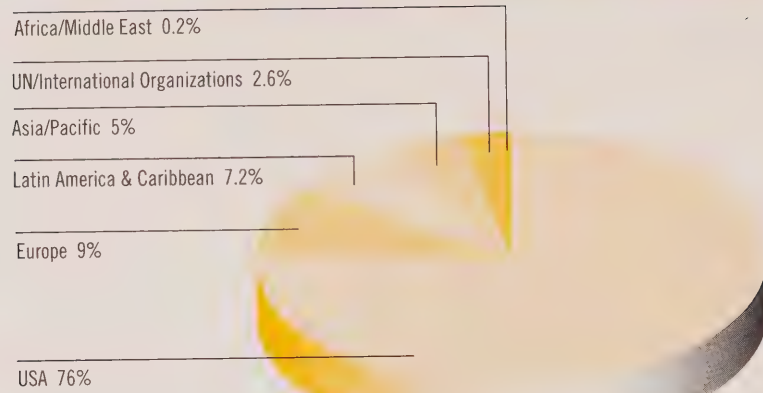


“ We have an excellent working relationship with CCC, and have on occasion travelled with CCC Project Manager James Kelly, whose knowledge of the Federal Acquisitions Regulations [FARS] has proven invaluable. During these trips, Mr. Kelly has spent time with the customer, explaining CCC's role, including such details as contract performance, progress payments, and price certification. The customer has much appreciated the service. We look forward to future work with CCC. ”

Garth Palanuk

Marketing Executive
Bristol Aerospace Limited
Winnipeg, Manitoba

CCC Sales Worldwide (by Geographic Region) 1999-2000



In 1999-2000, 1,209 firms received 6,504 notices of opportunities. At the same time, CCC's U.S. Opportunities Website was receiving over 1,500 visits a week from companies interested in the U.S. procurement market. CCC's bid-matching efforts generated 537 requests for bid documents from Canadian companies, which in turn generated bids valued at

\$467 million. This activity resulted in successful contracts valued at \$158 million. Targeting its bid efforts more effectively, fewer opportunities were transmitted, yet the Corporation experienced its best bid/win ratio ever last year.

In 2000, CCC's bid-matching efforts will be enhanced through a partnership with Industry Canada on its new Website

SourceCan, the Department's registration system for Canadian business. CCC will provide access to its electronic business opportunities feed to *SourceCan* users, and in return, CCC will be able to extend its bid-matching capabilities to all Canadian firms registered through *SourceCan*.

International Sales

In 1999-2000, CCC's international sales outside of the U.S. totalled \$266.9 million to buyers in 37 countries and to the United Nations. This represented a 56-per-cent increase over the total registered in 1998-99. Of these, 64 per cent were with

government entities, and 36 per cent were to private-sector buyers. While PPP cases accounted for some of this private-sector business, increasingly CCC is being used internationally by large foreign corporations subcontracting to Canadian

suppliers. These firms are attracted by CCC's ability to reduce their perceived risks in dealing with smaller, lesser-known Canadian companies.

CCC's largest international contract (\$52 million) was with the Dutch State Lottery

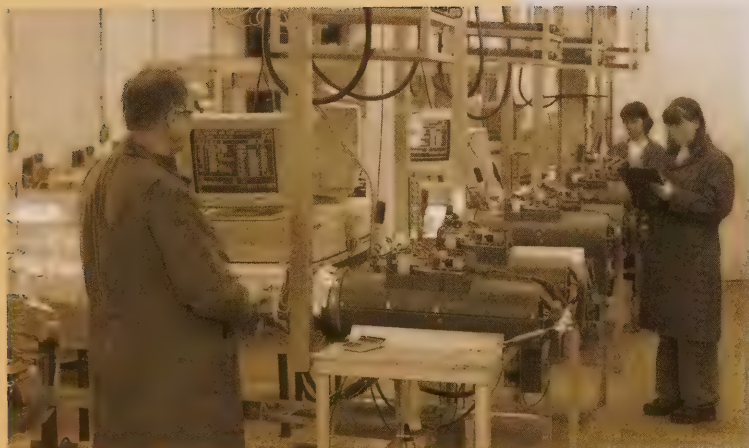
New Products, New Markets

Calgary's Global Thermoelectric Inc. is a recognized world leader in thermo-electric generators. When an opportunity to develop and supply \$18 million worth of heaters for the U. S. military arose in 1996, Global used CCC's contracting services to help win the sale over two larger competitors. Global had to perform a year's worth of testing on the heaters, which are specially designed for tracked vehicles. Operating on diesel fuel, the heaters had to meet strict specifications for electrical power use. Today, Global's heaters have joined an expanding product line that includes exciting new developments in fuel cell technology.

“We've had a very successful relationship with CCC. The sale to the U.S. military was a major breakthrough for us, and took us into a whole new product area. Those heaters now represent about 40 per cent of our revenue stream.”

Jim Perry

President
Global Thermoelectric Inc.
Calgary, Alberta



Corporation, but as in previous years, CCC's international business growth volume was not the result of one or two large projects. The \$266.9 million which CCC achieved is the result of more contracts signed on behalf of more companies, mostly SMEs, for lesser total values. Increasingly, the profile of CCC's repeat international business clients is SMEs that rely on exports for over half of their business, and that are expanding either into a market for the first time, or are graduating to slightly higher-value contracts. In both instances, CCC's ability to bolster their credibility in the buyer's eyes, thus opening doors and winning better terms, makes the Corporation their partner of choice in their international business efforts.

As in the U.S., CCC's LAV business will be important to the Corporation over the next few years. Both Australia and New

Zealand are in the process of developing their LAV programs, and constitute a potential \$500 million in sales between both countries. There is continuing interest in CCC's ability to facilitate capital projects, and the Corporation's project pipeline in this area includes buyers in Argentina, Uruguay, Mexico, Costa Rica, Algeria, Congo, and St. Lucia.

In the year ahead, CCC will be exploring how it can play a more strategic role in select foreign markets, just as it has since 1956 been the effective bridge for Canadian companies selling into the U.S. defence and aerospace markets.

The *Myers Report* assessed the specific international procurement markets that CCC should target because it can make a strategic difference to Canadian success rates, while growing and diversifying its business. These include:

- non-defence U.S. government procurement markets;
- international defence and aerospace markets;
- Mexican and Chilean procurement markets, particularly in the areas of infrastructure, electrical power equipment, information and environmental technologies;
- China and India, where massive investments are expected in infrastructure over the next five to ten years.

Increasingly, CCC's international business will also reflect the competitiveness of Canadian industry in sectors beyond the Corporation's traditional aerospace and defence base, including environmental technologies, advanced technologies and other knowledge-based industries, and power and energy equipment.

Success for Canada's Small Businesses

Small and medium-sized enterprises (SMEs) with annual revenues of less than \$25 million continue to grow in importance for CCC and the Government of Canada. They are major players in the future of Canada's economic growth, particularly as more SMEs take up the challenge of exporting and seek opportunities in the new global economy.

CCC's assistance to SMEs comes through a variety of services including bid matching, contracting advice and assistance with contract negotiation, arranging access to pre-shipment export financing from commercial sources, and offering enhanced payment terms.

In 1999-2000, SMEs again accounted for just over 80 per cent of the 1,810 Canadian firms that accessed the Corporation's services. Of the 280 companies successfully contracting through CCC, 60 per cent were SMEs, and their sales totalled \$250 million, representing an increase of 13 per cent over the previous year.

Cancer Care in Costa Rica

Canadian expertise in the area of cancer care is internationally recognized, and patients in Costa Rica are now one step closer to receiving better cancer programs thanks to the completion of a Canadian-led feasibility study for system-wide improvement. Under the US\$1.5-million government-to-government contract between the Government of Costa Rica and the Canadian Commercial Corporation, Toronto-based Cancer Care International (CCI) carried out the concept and financing study, which provides recommendations for developing a comprehensive oncology system, including the construction of a US\$40-million cancer treatment hospital in San José.

CCI is a project management and technology transfer firm specializing in international oncology projects. The firm offers consultation, public and patient education, professional training, technology and research to help improve world health. Thanks to the CCC-identified opportunity in Costa Rica, the small consulting organization has already tripled in size — from 3-4 employees to a full-time staff of 10-12.

“CCC deserves kudos for helping Canadian exporters. We are a small service organization, with a structure different from most companies CCC typically assists. CCC went through hoops to help us put together a financially credible bid on this project. We are extremely impressed with the service we’ve received and the business-like environment in which they operate. We could not have landed this contract without them.”



Katherine Jones

President
Cancer Care International
Toronto, Ontario

In its annual client satisfaction survey, CCC again received its highest scores from SMEs, which also reported the greatest likelihood of reusing CCC's services in the coming year.

On sales under the DPSA, CCC offers small businesses the terms of its Accelerated Payment Program (APP). Under the APP, companies with sales of less than \$5 million are paid on

DPSA contracts within 15 days of a valid invoice. In 1999-2000, the Corporation disbursed \$39.3 million to SMEs under the APP. Also, under the DPSA, the Corporation pays all suppliers on due date in 30 days, which is above current commercial standards where companies are paying 10-15 days beyond due date. While this applies to all CCC exporters, it is of particular importance to SMEs.

In 1999-2000, the Corporation set aside a special allocation of \$250,000 to support SME projects which presented contract risks beyond CCC's current risk framework. During the year, this allocation supported \$9 million in SME contracts.

Pre-shipment Export Financing: A Record-breaking Year

January 2000 marked the fifth year of operation for CCC's Progress Payment Program (PPP). Over this time, more than 120 companies have accessed over \$300 million in pre-shipment export financing from the 19 Canadian financial institutions in partnership with CCC on this program. This

financing would not have been available without the PPP.

The program combines CCC's expertise in international project assessment and contract management with the lending capabilities of partner banks. PPP is used when an exporter is unable to negotiate progress or advance payments from the

buyer, and as a result, the sale cannot be financed within the exporter's existing domestic credit facility.

Unlike CCC's other services, most PPP applications relate to contracts which have already been signed with a buyer so there is normally no need for CCC to act as a prime

Transactions by Business Size



Educational Software in Mexico

Logo Computer Systems Inc. (LCSI) is no novice in the exporting world. The 20-year-old company, winner of 26 major awards for its innovative educational software, exports 98 per cent of its business. Its flagship product is used in schools in Mexico, Central America, Colombia, Brazil, Japan, Australia, the United States, Italy, France and Greece. But even a company as export savvy as LCSI can benefit from the services of the Canadian Commercial Corporation.

In 1999, CCC acted as prime contractor in a government-to-government agreement with the Government of the State of Jalisco in Mexico for the state-wide distribution in its schools of the Montreal-based company's *MicroWorlds Pro* — a tool allowing students to create dynamic, interactive projects that can be loaded on the Web and shown to other students around the world.

“Having the Canadian government speak for us raises the credibility of our firm to a very high level and puts us in a different league. When we go in the door with CCC, we’re not playing in the minor leagues — we’re in the NHL. The buyer has the security of knowing that an organi-

zation of the Government of Canada is providing the goods and services. I would use their services again in a flash.”

Michael Quinn

President
Logo Computer Systems Inc.
Montreal, Quebec



Business in Brief

CCC by the Numbers

\$1.1 billion	CCC's total business volume for the fiscal year
30%+	Percentage of exporters contracting successfully through CCC who were new clients
\$704.9 million	Sales volume to the U.S. DoD and NASA
64%	Percentage of CCC's sales made to the U.S. DoD and NASA
\$139.7 million	Sales volume to U.S. civilian agencies and private sector
\$266.9 million	International business volume
\$85 million	Progress Payment Program
1,209	Number of Canadian firms receiving opportunity notices through CCC's bid-matching service
6,504	Total number of notices they received
1,500+	Number of visits per week to CCC's U.S. Opportunities Website
\$467 million	Value of bids generated by CCC's bid-matching efforts
537	Number of successful contracts resulting from CCC's bid-matching efforts
\$158 million	Total value of above contracts
92.5%	Percentage of clients surveyed who rated CCC as "excellent," "very good" or "good"

CCC's greatest strengths were useful trade advice, export knowledge, credibility before the buyer, reduction of payment risks and provision of better payment terms, expertise in contract negotiation, and CCC's contacts and ability to assist in networking.

contractor. In the PPP, the Corporation assesses the risks of the buyer, the contract and the exporter. If the project falls within the Corporation's accepted risk parameters, it assumes the task of monitoring progress on the contract. As performance milestones are met, the financial institution is notified that further funds can be sent to the exporter, and the exporter draws down on a project line of credit established separately for the PPP transaction.

Participating banks and financial institutions rely on CCC's core capability to monitor contract performance and mitigate performance risks, enabling them to provide financing which would otherwise not be available for the sale.

In the past year, CCC has continued enhancing PPP services, providing faster response times and assessments for new business prospects. The PPP team has also been responsible for a pilot on a new service, the Contract Management Service (CMS). This service grew out of a demand from some banks that intended to provide pre-shipment financing through their own programs, but were interested in utilizing CCC's contract assessment and administration skills to reduce performance risks on the deal. The work of CCC officers was recovered on a fee basis. The pilot project indicates there is sufficient interest that the service can be further marketed to participating banks.

Easing the Cash-flow Crunch

Forest Technology Systems (FTS) is a small company with a big reputation. The 32-employee Victoria-based firm is a world leader in the design, manufacture and supply of complete environmental monitoring solutions. Clients include the world's most respected government agencies responsible for monitoring the status of forests, waters and weather systems.

As part of its World Bank-funded project to update its environmental monitoring system, the Mexican government was only too happy to order 40 FTS weather stations in December 1999. But with the first payment not to be received until deliveries were made in the spring, FTS realized it needed interim financial assistance to pay its suppliers. The company turned to the Canadian Commercial Corporation and its Progress Payment Program.

“ CCC did a great job for us. We didn't get awarded the contract formally until mid-December and then all arrangements had to be made — including supplying a performance bond and letter of credit — before the end of the year. Time was tight and CCC pushed. With the help of Project Manager Emmanuel Florakas, I had CCC's commitment and a PPP line of credit set up with my bank within a two-week period that included Christmas. It all came together very swiftly and over a tough period. We were very impressed. ”

Kevin Bradley

Chief Executive Officer
Forest Technology Systems
Victoria, British Columbia



Performance Against Targets

Business Objectives

In its 1999-2000 Corporate Plan, the Canadian Commercial Corporation set four business objectives:

Clients Served

1998-1999 result	1,883
1999-2000 target	2,000
1999-2000 result	1,810

CCC had set a target of 2,000 companies accessing its services, and fell short of that in its official count of 1,810.

Companies Signing Contracts through CCC

1998-1999 result	276
1999-2000 target	300
1999-2000 result	280

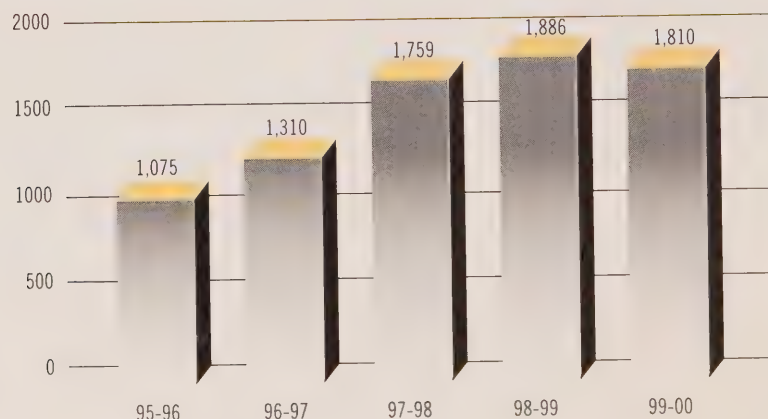
CCC wanted to establish a new threshold of 300 clients signing contracts and amendments through the Corporation. The total of 280 is up marginally from 1998-99. Reaching the 300 mark is a function of resources. To do so, CCC needs to help more SMEs win contract bids. The greatest number of SMEs new to the Corporation are primarily bidding on international requirements, which tend to be more labour-intensive. Serving more SME clients would require an investment in additional contracting officers.

CCC recognizes that it cannot control whether a particular company *finalizes* a sale in a given year, but considers the

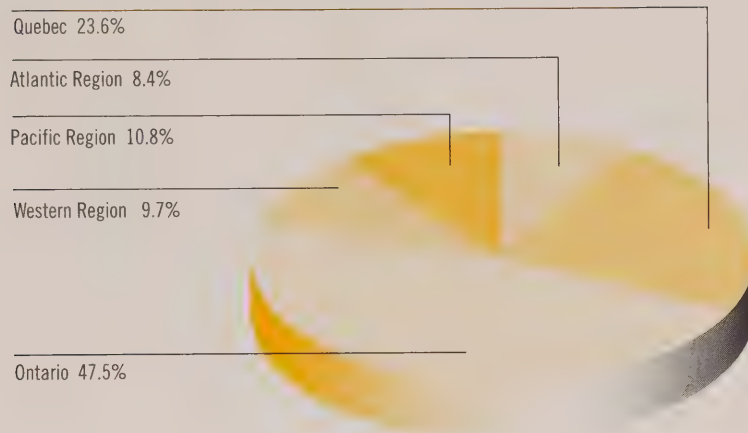
success rate of its companies to be an important measure of its contribution to Canada's international trade goals.

In addition to investing in more contracting officers, the Corporation also intends to build the number of clients successfully contracting by cross-marketing its services more effectively, pulling more buyer demand to Canada and matching this demand to Canadian company capabilities. It also intends to allocate more resources to following up on business leads generated from marketing to industries in targeted sectors as well as on opportunities generated through its bid-matching service.

Canadian Companies Accessing CCC Services



CCC's Exporters (by Geographic Region)



Business Volumes

1998-1999 result	\$748 million
1999-2000 target	\$1 billion
1999-2000 result	\$1.1 billion

CCC's objective was to increase the number of its projects, both large and small. As a result, CCC plans to extend its project pipeline to the point where it can sustain an annual business volume of between \$1 billion and \$1.2 billion, regardless of whether a large project is landed in any one year. While a LAV contract in the U.S. valued at \$202 million took the Corporation over its target, CCC is pleased that its non-LAV business grew by \$183 million over 1998-1999, an increase of 25 per cent.

The business volume total is also the result of the Corporation's teams exceeding the

targets in all three operational areas: sales to the U.S. (25% increase over the target); sales internationally (30% increase over the target); and the PPP (56% increase over the target).

Entering 2000-2001, the Corporation has a \$3.5-billion project pipeline, and is confident that it has established a new benchmark for its business volume, and that it will record its first two consecutive years with business volumes over \$1 billion.

Cost-recovery Targets

1998-1999 result	\$1.75 million
1999-2000 target	\$1.8 million
1999-2000 result	\$3.18 million

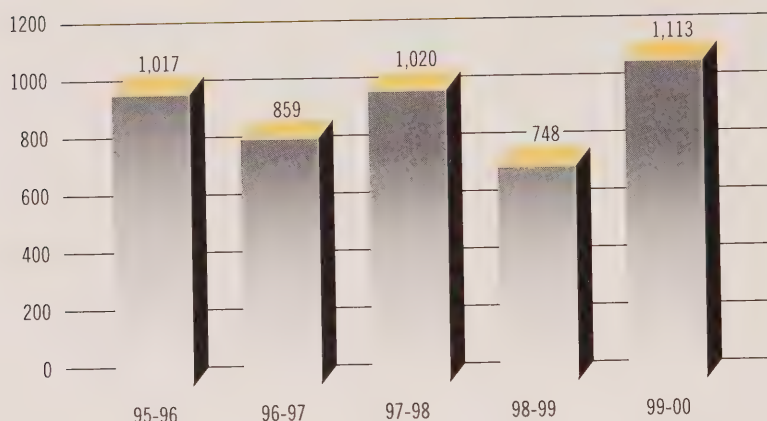
CCC applies cost recovery to all services which are optional to its clients. The Corporation's mandated role under the

Canada-U.S. DPSA remains exempt from any cost recovery and is wholly supported by parliamentary appropriation.

Under its existing cost-recovery policy, CCC does not fully recover its costs. For example, it does not allow for full recovery of labour costs unless the exporter is successful in winning the contract; only direct out-of-pocket expenses are charged on unsuccessful bids. CCC also provides special discounts for SMEs.

Since the inception of cost recovery on all non-DPSA services in 1996, cost recovery has grown from \$900,000 to \$3.18 million in 1999-2000, reflecting the growth in the use of CCC services, primarily in international markets.

Value of Orders Received
(in millions of dollars)



Risk Assessment and Financial Performance

In 1998-99, the Canadian Commercial Corporation's risk management practices were validated by two external parties. The Auditor General of Canada, through its in-depth Special Examination Report, noted that CCC's risk management practices had significantly improved from the previous report. This was reinforced by Zurich Insurance through its placement of insurance to cover CCC in the event of catastrophic loss on its contract portfolio.

In 1999-2000, the Corporation continued to improve its risk management practices through the adoption of enhanced internal reporting of its contract portfolio and success in the first year of utilizing its \$250,000 SME Risk Fund.

CCC's existing risk management practices stem from its modest capital base, and are quite rigorous as a result. While CCC's foreign customers appreciate this, it does prevent some SMEs from using the Corporation's services. CCC will seek alternative sources of risk capital or partner with commercial and

public lenders to find ways to assist these SMEs.

With almost \$900 million in payments to Canadian suppliers in 1999-2000, treasury management is a key aspect of CCC's business operations. The Corporation received \$5 million in fiscal year 1999-2000 from its Shareholder as a repayable working capital appropriation to improve its liquidity position. This will greatly assist the Corporation in maintaining timely payments to its clients, the vast majority being SMEs, which are often faced with the challenge of meeting payroll requirements.

On the operational side, although CCC generated its highest cost-recovery revenues to date, the Corporation required the support of the Shareholder for an additional \$2 million in parliamentary appropriations in 1999-2000 for increased operating costs, including costs related to Year 2000 preparedness.

To position itself to better serve its clients, the Corporation has been working with external parties to review the appropriate level of resources that the Shareholder could provide to fulfil CCC's parliamentary mandate. The Corporation plans to share the outcome of this review with its Shareholder next fiscal year.

Other Performance Indicators

Additional Contract Costs as a Percentage of Business Volumes

CCC standard	0.2%
1999-2000 actual	0.3%

The Canadian Commercial Corporation's risk standard attempts to keep additional contract costs at less than 0.2 per cent of business volumes. In recent years, CCC has kept these costs at less than 0.1 per cent of business volumes. Maintaining this standard requires significant labour,

resources and time for each individual contract before it is signed.

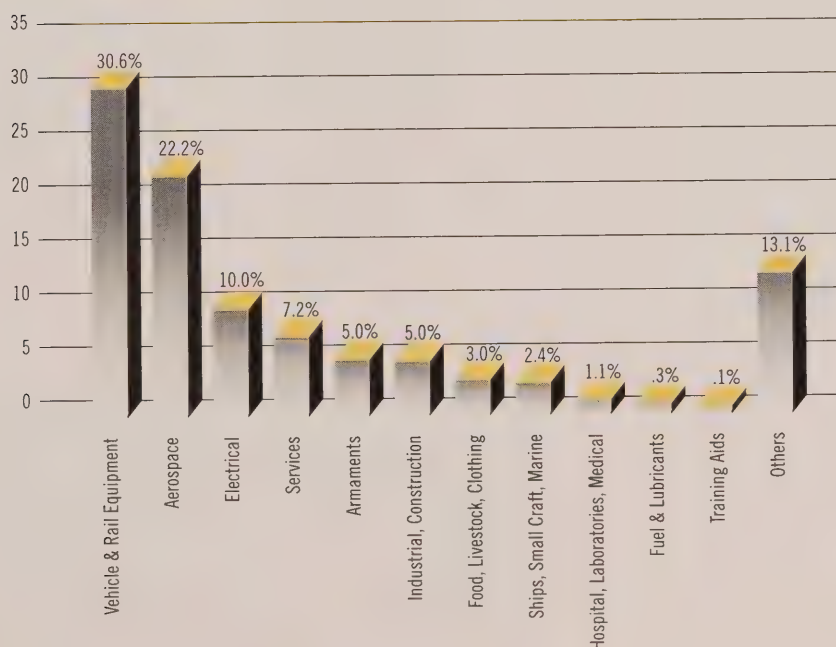
The standard of 0.2 per cent reflects the Board of Directors' approved risk tolerance level, excluding the special allocation of \$250,000 to enable CCC to take on some SME projects which would otherwise not fit within its risk parameters. The Corporation exceeded its standard in 1999-2000 because more provisions for losses for SME projects were recognized than expected.

Provision for Doubtful Accounts Compared to Accounts Receivable

CCC standard	1.0%
1999-2000 actual	0.0%

In 1999-2000, the Corporation continued its success in collecting from foreign buyers, in part due to its stringent customer credit guide. This indicator is important to Canadian exporters, who frequently view CCC as a means of not only winning contracts with more

Percentage of Sales by Product Category
(April 1999-March 2000)





advantageous payment terms, but also of significantly reducing the risk of non-payment.

Time Required to Make Payment for Exporters

CCC standard	30 days (15 days, APP)
1999-2000 actual	31 days (16 days, APP)

One of CCC's key values is its prompt payment to exporters as funds are received from foreign buyers according to the terms of the contract. Payments to suppliers are made on a timely basis, and include special arrangements for SMEs under its Accelerated Payment Program (APP).

CCC is pleased to note that the Government of Canada has supported its efforts to meet the needs of exporters to receive payments on a timely basis. In 1998-99, an injection of \$5 million was made to assist the Corporation in this area, and an additional \$5 million was made available in February 2000 in the form of a repayable working capital appropriation.

Net Cost of Operations Compared to Business Volumes

CCC standard	1.3%
1999-2000 actual	1.1%

CCC remains largely dependent on its parliamentary appropriation to fund its program. In

1999-2000, the Corporation's greater business volume enabled it to exceed its past record of 1.3 per cent of net operating costs. The greater volume offset the significant increases in demand for CCC's services by more SMEs, which affected the cost of operations. For 2000-2001, the Corporation anticipates net operating costs of 1.2 per cent, reflecting projected increased operating costs such as collective bargaining increases, public-service pension plan reform and informatics requirements.

Serving Clients

Satisfied Customers

In the last quarter of 1999-2000, the Canadian Commercial Corporation undertook three elements of client research to assess exporters' needs, and identify what it must do to better meet the needs of a larger and more diverse client base.

First, the Corporation carried out its annual survey of existing clients on the value of CCC services. Second, the *Myers Report* of CCC markets also looked at Canadian capabilities and exporters' needs, and how CCC could better apply its capabilities to increase exporter success rates. Finally, the Corporation worked with EDC on a joint survey of exporters to assess the views and needs of those not currently using the services of either Crown corporation.

Client Satisfaction Index

To ensure that it is responsive to exporters' needs and expectations, CCC conducts an annual client satisfaction survey. For the first time in 1998-99, it built its client satisfaction index into a performance measure.

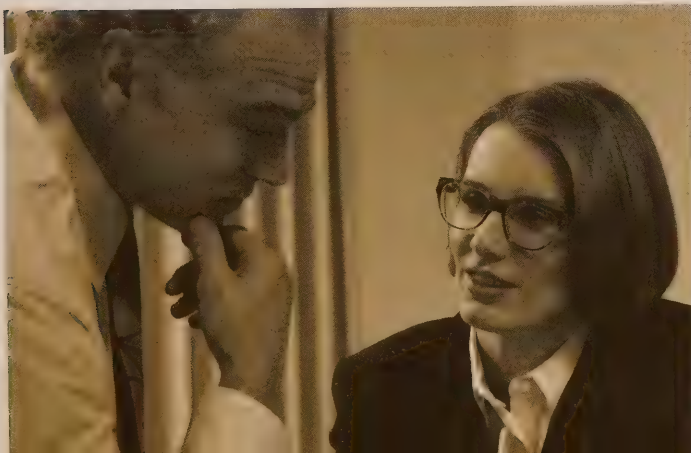
In its survey of current clients, CCC showed steady improvement in service delivery, and scored 7.4 out of 10 on overall value to exporters, exceeding the corporate target of 7.2.

1998-1999 target	7.2
1998-1999 index	7.0
1999-2000 target	7.2
1999-2000 index	7.4

Overall, 92.5 per cent of clients thought the service provided by CCC was excellent, very good or good.

A majority of respondents felt CCC meets or exceeds their expectations on all aspects of services, and a large majority expect to use the Corporation more in the future. Key CCC strengths cited were useful trade advice, export knowledge, increasing exporter credibility in the eyes of the buyer, reducing payment risks and enhancing payment terms. As a result of these high scores, over 80 per cent of clients in both the mandated U.S. market and in optional markets indicated a greater likelihood of using CCC services over the next year. Additionally, 61 per cent of CCC's DPSA clients saw their sales increasing in the U.S. defence market over the next two years, while 64 per cent of those using CCC internationally felt their sales to foreign government buyers would grow over the next two years.

The likelihood of future use of CCC was greatest among those relying on exports for more than half of their business and those



that have been active with the Corporation in the last 12 months.

CCC's highest satisfaction and value ratings again came from smaller companies. Some 20 per cent of clients in both the U.S. and overseas felt that CCC's levels of service had improved in the past year, with 75 per cent feeling that levels had stayed the same. Only 5 per cent felt that service had declined, and when asked why this was so, most cited resource-based issues (length of response time, shortage of officers to handle inquiries).

Among clients in the DPSA market, CCC's greatest value-added benefit was found in its knowledge of the DoD market and procedures. Internationally, and in cases where use of CCC is optional, value-added benefits were tied to the extent that CCC could be identified as a factor in landing the business, or improving contract terms. CCC's clients again gave it their highest marks among all trade agencies they used in 1999-2000.

Clients were also asked if CCC met or exceeded their expectations in six standards of service:

Courtesy	98%
Accessibility	91%
Confidentiality	98%
Fairness	92%
Competence	93%
Timeliness	88%

The survey shows that CCC's existing core clients value its services, and see themselves as having a long-term relationship with the organization. They are exporters committed to procurement markets, keenly interested in the continuing availability and enhancement of CCC services, and view CCC as an important ingredient in their export success. CCC can expect to continue to see its U.S. and international business grow through increased use of its services by existing clients.

Assessing Client Needs

The *Myers Report* suggested that in striving to deal with a wider range of clients, and in offering service enhancements or filling service gaps, the best question CCC can ask itself is: *"In what national or sectoral markets can CCC's unique role in putting deals together most effectively assist Canadian exporters in winning contracts on improved terms?"*

The study also suggested that based on exporters' needs and CCC's capabilities, the Corporation is most likely to increase its number of clients and grow its business among:

- aerospace, electronic and other manufacturers and service providers selling to the U.S. defence market;

- engineering firms, equipment or technology providers looking to participate in major capital and infrastructure projects;
- smaller exporters aiming to break into new markets, particularly those selling specialized or high-value technologies and services;
- smaller exporters that can benefit from enhanced services, such as bid matching, consulting on contract terms, and facilitating access to working capital.

The report went further, suggesting that these potential clients were most likely found among three interrelated client groups: technology companies; engineering companies; and high-value service companies.

Reaching New Clients

In January 2000, CCC teamed up with EDC on a survey conducted by Angus Reid of 500 exporters not currently using the services of either organization. Exporters were asked specific questions related to CCC. The survey shows that CCC enjoys a 36-per-cent rate on name recognition, with greatest recognition in Ontario (41%), but this does not translate into knowledge of CCC services. Some 17 per cent of this sample had pursued opportunities with foreign governments. Among this group, CCC scores over 50 per cent on name recognition, greater under-

standing of its services, and 33 per cent have contacted CCC in the past for assistance. The markets these companies are most interested in are government agencies in the U.S., Asia Pacific and Europe.

When asked why they did not target or sell to foreign government buyers, almost half indicated that governments were not users of their products or services, but 23 per cent cited excessive red tape, paperwork, insufficient experience or knowledge, limited contacts or marketing capacity as barriers in procurement markets. These are all areas where CCC services could assist them to enter these types of markets.

When informed of its existence, some 73 per cent indicated they would be interested in using a government agency that could sign contracts on their behalf and provide a government-backed guarantee of contract performance to help win sales. Exporters who did not know of CCC were most interested in services that could identify business opportunities outside of Canada, provide a government-backed guarantee of contract performance, negotiate better terms, reduce bonding requirements, identify Canadian sources of supply for foreign buyers, and facilitate access to commercial sources of pre-shipment export financing.

Some 78 per cent of exporters also indicated they would be interested in the availability of such services in commercial (non-government) sales, and 60 per cent indicated a willingness to pay for those services at a market rate similar to what they would expect to pay for a professional accounting or legal firm.

The Angus Reid survey suggests that there are strong opportunities for CCC to grow its business from new clients in both procurement markets, and from sales to private-sector buyers.

Policy Initiatives, Organization and Governance

Electronic Commerce

By 2005, the majority of the Canadian Commercial Corporation's contracting services will be delivered electronically.

E-commerce constitutes the major challenge to the Corporation as it strives to keep pace with the evolution of its use among Canadian exporters, and more importantly, with buyers in the U.S. and overseas. In most OECD countries, government purchasing is going online. As these changes are

phased in, CCC's business processes and supporting technology must stay in step with these changes.

The Government of Canada's Strategic Infrastructure Initiative (SII) will provide a secure network on top of the Internet for Canadians to interact with their own government for all government services by 2004. This is an ambitious time frame and the availability of this network and the Government-On-Line (GOL) project should enable the Corporation to better track its

own e-commerce initiative, as well as potentially reduce its costs and simplify implementation.

Having passed the critical date of the Year 2000 issue, CCC can now invest more resources in the development of an e-commerce strategy that will guide its efforts. A working group has been established to determine which services present the best opportunities for electronic delivery considering CCC's mix of projects, suppliers and buyers, and map a course of action for the next two years.

Computerization

The emerging Internet economy is forcing organizations to shift their focus from internal back-office processes to external commerce processes that automate interaction and collaboration among customers, suppliers and other business partners. Some of the business processes CCC implemented over the last few years to respond to new requirements are badly in need of automation, while others will have to be re-energized with new technology to achieve desired results.

In 1999-2000, CCC established a strategic computerization plan, assigning priorities to upgrading systems.

- CCC will invest in Customer Relationship Management to relate marketing and business development data with operational or transaction data. This will provide the Corporation with better instruments to monitor and evaluate the success of its marketing and business development efforts.

- CCC will automate the processing of cost-recovery transactions to enhance control and accuracy of data and provide management with monitoring capabilities required to administer the program. CCC will also automate its Risk Analysis process and complete the automation of the PPP process.

- CCC will implement a suite of quality-control methods and tools to improve the value of information management needs to make business development decisions, and manage its business processes more effectively.

Year 2000

As a result of its efforts with respect to Year 2000 issues, the transition occurred without event because of CCC's significant efforts in reviewing its inventory of all contracts having outstanding commitments as of January 1, 2000, verification of its own technological infrastruc-

ture and those of its exporters, contingency planning and establishing a Year 2000 risk assessment procedure for all new contracts with suppliers.

CCC is not aware of any negative consequences on its program due to non-compliance by clients or buyers. While Year 2000 risks still exist, CCC will continue to monitor external risks throughout the year.

Environmental Guidelines

CCC's involvement in overseas projects does not raise the same environmental issues as those of other Crown financial institutions or export credit agencies. Nevertheless, CCC is called on by exporters to participate in capital projects, and the capital project guidelines put into practice last year provide a framework for assessment of attendant risks.

In constructing this framework, CCC management has built in a requirement that an environmental assessment be conducted on such projects by a qualified



source, at the exporter's expense, before CCC agrees to participate in the sale. While this is CCC's corporate practice on all projects with environmental implications, the Corporation is still developing a formal Environmental Assessment Framework, and will work with the Canadian Environmental Assessment Agency to finalize this work, and bring it forward to its Board for consideration in 2000-2001.

Corporate Social Responsibility

In the last few years there has been growing scrutiny of the ways that Canadian businesses conduct themselves abroad. Particular attention has focussed on ensuring that Canadian businesses adopt ethical practices in dealing with foreign public officials and recognize the human rights and social responsibility implications of doing business in some countries.

DFAIT is chairing a process with Canadian business representatives on corporate social responsibility in a trade context, and in 2000-2001 will be undertaking a study on standards

prevalent in G-7 countries.

As a Crown corporation, CCC strictly adheres to the Government of Canada's policies in these areas and will keep pace with DFAIT's work and recommendations.

In 1999, CCC also announced its sponsorship of an award for Corporate Social, Ethical and Environmental Performance at the annual International Co-operation Awards. This award will be presented to a company that has a corporate code of ethics, systematically integrates local community stakeholders into its decision making, and builds appropriate community support systems into the design and implementation of a project in a developing country.

Human Resources

CCC's strength is in its ability to customize services to client needs, and to anticipate and keep pace with changing business requirements. As CCC's client base expands and Canadian exporters become more aggressive in their target sectors and markets, CCC staff will be challenged to keep up

with changes in industry, technology, buyer expectations and market developments. CCC will be increasingly called on to operate in an environment which encourages organizational flexibility and promotes performance excellence.

As a Crown corporation, CCC establishes its own human resource accountability framework and negotiates its own collective agreement within the parameters of the Canada Labour Code. In 1999, the Corporation negotiated a two-year agreement with the Professional Institute of the Public Service of Canada, which included restructuring of salary bands and a number of provisions which will contribute to the modernization of CCC's business practices. The Corporation will continue to introduce a new made-in-CCC Human Resources Framework throughout 2001, clearly acknowledging the distinct nature of its operating environment.

CCC's business vision is also evolving to one more client-focussed and entrepreneurial, and the potential for growth is on the horizon. To respond

effectively to these challenges, CCC will adopt a number of recruitment, retention and career change strategies to ensure that a highly effective work force will be in place.

In 1999-2000, CCC's organizational structure was adjusted to provide an infrastructure for its marketing efforts in new sectors and markets, and to provide more direct linkages between business development and contracting teams to ensure that new business leads are effectively integrated into CCC's service lines. These structural changes were reinforced with the appointment of an Executive Vice-President, with responsibility for business development and operations, and the creation of the position of Vice-President, Corporate Strategy and Marketing. In addition, a new job evaluation plan is under development, which will recognize the value of these critical skills and abilities.

The move toward a CCC-based evaluation and compensation approach will break down artificial barriers within job families, encourage employees to adopt multiple skills, provide appropriate internal career paths and facilitate the movement of staff to respond to emerging business demands. In the context of a continuous learning environment, employees will be encouraged to examine their

career expectations and seek appropriate professional development opportunities, both within and outside of the Corporation.

Governance

CCC is a highly specialized, highly skilled member of Team Canada Inc. It is expected to contribute to the broader goals of the Government of Canada to increase exports, diversify markets and increase the number of companies exporting, particularly among SMEs. These government objectives, and the Corporation's own aggressive plans to increase the number of companies with which it works require strong governance structures.

The *Canadian Commercial Corporation Act* combines the roles of President and Chairman, which deviates from current governance norms for Crown corporations. As a result of the interdepartmental review of CCC, completed in 1998-99, the Government of Canada is committed to changing these provisions to separate the functions of President and Chairman. The Corporation is working with other departments and central agencies to identify a legislative means of implementing this change quickly.

With the appointment of a full-time president in May 1999, the Corporation has adopted new practices for its Board meetings, reflecting these pending changes, which include a lead Director to chair business sessions within the Corporation's legal framework.

As a result of the interdepartmental review, the Government is also committed to strengthening the Board and appointing additional private-sector members. The Corporation has developed criteria that follow modern Board practices to assist the Shareholder to identify qualified Board candidates.

Throughout 1999-2000, the Board has been actively involved in CCC's corporate and strategic planning processes, particularly in ensuring that the principal risks facing the Corporation are identified and that management practices and systems are in place to deal with these risks.

The Board has been especially helpful in this process, which, in 1999, provided a clear vision of CCC's future in the 21st century trade environment. This work led to the commissioning and completion of market and client studies, and a financial assessment of the Corporation's operational and capital budgets. The findings and results will be presented to the Shareholder in 2000-2001.

Moving into the 21st Century

The Canadian Commercial Corporation has completed its Corporate Plan for the 2000-2005 period, which builds on the work done in 1999-2000 to identify CCC's potential. The Plan provides the steps the Corporation will take to implement its five-year vision of growth.

The framework of this Corporate Plan maximizes CCC's contribution in markets and sectors where its services can produce the greatest results for Canadian exporters. The Plan recognizes the Corporation's existing strengths, highlights areas where these strengths will have to be supplemented, and identifies partners with whose products and services CCC's capabilities can be matched to enhance the success of mutual clients.

The Corporate Plan reflects a commitment to ensure that CCC is on a secure financial footing, enabling it to grow its business, sustain growth, and provide enhanced levels of service to a much larger and broader clientele.

To this end, CCC set precise targets for 2000-2001 to simplify its messages, transmit them more effectively to target audiences, and partner more effectively within Team Canada Inc. It also set an ambitious program continuing the redevelopment of the Corporation's information systems to support a client-driven organization with a proactive marketing and sales culture. It also proposed to establish and monitor the performance measurements required to reinforce this culture, as well as to implement a comprehensive human resources strategy to ensure that it continues offering its clients the skills they want and need in the 21st century.

The Way Ahead

CCC's plans for the 2000-2005 period seek to maximize its contribution as an export sales agency, and be responsive to the needs of the



exporting community. At the same time, CCC will increasingly focus its efforts in markets and sectors where its services can make a strategic difference in the success rate of Canadian companies. CCC recognizes its existing strengths as well as where these strengths will have to be supplemented to meet changing exporters' needs. CCC has identified partners with whose products and services its capabilities can be matched to produce greater success for mutual clients.

For 2000-2001, the Corporation has set targets which build on its 1999-2000 record, including:

- to increase to 2,100 the number of exporters utilizing its services;
- to enable 310 companies to successfully contract through the Corporation;
- to increase the number of large and small projects to sustain a potential sales volume of \$1.2 billion to \$1.4 billion;
- to generate cost recovery and other income of \$3 million;
- to maintain its client satisfaction index at 7.4, while expanding and investing in new services and capacity.

The year 2000-2001 will be one of investing in increasing awareness, marketing, technology and human resources to enable CCC to achieve significant, sustainable growth in its business in the coming years.

Canadian Suppliers with Contracts or Amendments in 1999/2000

36

3M Canada Company
Brockville (ONTARIO)

Aavangen Industries
Calgary (ALBERTA)

Accucaps Industries
Windsor (ONTARIO)

Acro Aerospace Inc.
Richmond (BRITISH COLUMBIA)

Active Gear Co. of Canada Ltd.
Concord (ONTARIO)

ActiveSystems Inc.
Ottawa (ONTARIO)

Acton International Inc.
Acton Vale (QUEBEC)

ADM Agri Industries Ltd.
Windsor (ONTARIO)

AGRA Coast Limited
Port Coquitlam (BRITISH COLUMBIA)

Air Labrador
Goose Bay (NEWFOUNDLAND & LABRADOR)

Aircraft Appliances and Equipment Ltd.
Bramalea (ONTARIO)

Aklak Air Inc.
Inuvik (NORTHWEST TERRITORIES)

Amerace Limited
Richmond Hill (ONTARIO)

A-M-M
Pointe-aux-Trembles (QUEBEC)

AMS Aviation Maintenance & Support Corporation
Winnipeg (MANITOBA)

Anachemia Canada Inc.
Ville St-Pierre (QUEBEC)

Anotec (Hansa - Sealand Limited)
Moncton (NEW BRUNSWICK)

Apex Industries Inc.
Technologies Division
Moncton (NEW BRUNSWICK)

Aqua Jem Farms Ltd.
Shelburne (NOVA SCOTIA)

Artissimo Prints Inc.
Montréal (QUEBEC)

Arvin Ride Control Products Inc.
Toronto (ONTARIO)

Asea Brown Boveri Inc. (Canada)
St. Laurent (QUEBEC)

A S R Technologies Inc.
Ottawa (ONTARIO)

ASW Systems Inc.
Oakville (ONTARIO)

Atlantis Systems International Inc.
Brampton (ONTARIO)

Automatic Coating Ltd.
Toronto (ONTARIO)

Autoshop Systems Corporation
Vancouver (BRITISH COLUMBIA)

BAE Systems Canada Inc.
St. Laurent (QUEBEC)

Banner Pharmacaps (Canada) Ltd
Olds (ALBERTA)

Barer Engineering Co.
Montréal (QUEBEC)

Baultar Composite Inc.
Windsor (QUEBEC)

Beavers Dental Division
Morrisburg (ONTARIO)

B G Technology Inc.
Downsview (ONTARIO)

BlueStar Advanced Technology Corp.
North Vancouver (BRITISH COLUMBIA)

Bluestar Battery Systems Corporation
Surrey (BRITISH COLUMBIA)

Bombardier Inc.
Kingston (ONTARIO)

Bomem Inc.
Québec (QUEBEC)

Bovar Inc.
Calgary (ALBERTA)

Bradley Air Services Limited
Carp (ONTARIO)

Bragwear Inc.
Montréal (QUEBEC)

Bristol Aerospace Limited
Winnipeg (MANITOBA)

Burden's Services Ltd.
Goose Bay (NEWFOUNDLAND & LABRADOR)

CAE Electronics Ltd.
St. Laurent (QUEBEC)

Calian Technology Ltd.
Kanata (ONTARIO)

Canada Allied Diesel Co. Ltd.
Lachine (QUEBEC)

Canada Forgings Inc.
Welland (ONTARIO)

Canadian Helicopters Limited
Les Cedres (QUEBEC)

Canadian Instrumentation & Research Ltd.
Burlington (ONTARIO)

Canadian Technology Human Resources Board
Ottawa (ONTARIO)

Cancer Care International
Toronto (ONTARIO)

Cara Operations Limited
Mississauga (ONTARIO)

Carleton Life Support Technologies Ltd.
Mississauga (ONTARIO)

Casavant Freres Ltée
St. Hyacinthe (QUEBEC)

C-Core
St. John's (NEWFOUNDLAND & LABRADOR)

CEL Aerospace Test Equipment Ltd.
Longueuil (QUEBEC)

Cercast Incorporated
Montréal (QUEBEC)

Champion Road Machinery Limited
Goderich (ONTARIO)

Champlain Graphics
Whitby (ONTARIO)

Chase Tools & Equipment
St. Laurent (QUEBEC)

Chemac Industries Inc.
Vernon (BRITISH COLUMBIA)

Chianti Food Processors Inc.
Toronto (ONTARIO)

Clickon Technologies Inc.
Montréal (QUEBEC)

Codalex Limited
Montréal (QUEBEC)

Code Incorporated
Ottawa (ONTARIO)

Communications & Power Industries Canada Inc.
Georgetown (ONTARIO)

Computing Devices Canada Ltd.
Ottawa (ONTARIO)

CRESTech
North York (ONTARIO)

Consulting & Audit Canada
Ottawa (ONTARIO)

Croman Woodward Central Distributor
Concord (ONTARIO)

CSP Security Consulting Inc.
Montréal (QUEBEC)

CTF Systems Inc.
Port Coquitlam (BRITISH COLUMBIA)

C.Y.M.C. Inc.
Milton (ONTARIO)

DAC Aviation International Ltd.
Montréal (QUEBEC)

Davanac Inc.
Lachine (QUEBEC)

DGB Développement International Inc.
Montréal (QUEBEC)

DGB Systems Integrators (1993) Inc.
St. Laurent (QUEBEC)

Defence Research Establishment
Ralston (ALBERTA)

Department of National Defence
Hull (QUEBEC)

Department of Natural Resources
Ottawa (ONTARIO)

Derlan Aerospace Canada
Milton (ONTARIO)

Dessau-Soprin International Inc.
Laval (QUEBEC)

Diemaco
Kitchener (ONTARIO)

Dixon Manufacturing Inc.
Concord (ONTARIO)

Donlee Precision
Toronto (ONTARIO)

DPS Railway Equipment Inc.
Montréal (QUEBEC)

Dupontrolley Industries
Québec (QUEBEC)

DRS Flight Safety & Communications
Carleton Place (ONTARIO)

D.W. Gill Supply Company Ltd.
Vaudreuil (QUEBEC)

DY 4 Systems Inc.
Kanata (ONTARIO)

E G & G Canada Ltd.
Vaudreuil (QUEBEC)

ELCAN Optical Technologies
Midland (ONTARIO)

ELI Eco Logic International Inc.
Rockwood (ONTARIO)

Environment Recovery Equipment Inc.
Port Colborne (ONTARIO)

Esquimalt Defence Research
Victoria (BRITISH COLUMBIA)

Expro Chemical Products Inc.
St. Timothee (QUEBEC)

FAG Bearings Limited
Stratford (ONTARIO)

FAHR Industries Inc.
St. Jacques (NEW BRUNSWICK)

Femetics Canada Inc.
Pointe Claire (QUEBEC)

FilterVac International Inc.
Kitchener (ONTARIO)

Focus Manufacturing Inc.
Chicoutimi (QUEBEC)

Forest Technology Systems Limited
Victoria (BRITISH COLUMBIA)

Garlock of Canada
Dartmouth (NOVA SCOTIA)

Gem Systems Inc.
Richmond Hill (ONTARIO)

General Electric Canada Inc.
Montréal (QUEBEC)

General Kinetics Engineering Corporation
Bramalea (ONTARIO)

General Motors of Canada Limited
London (ONTARIO)

GIII Ltd.
Winnipeg (MANITOBA)

Global Precast
Maple (ONTARIO)

Global Thermoelectric Inc.
Calgary (ALBERTA)

Hankin Atlas Ozone Systems Ltd.
Scarborough (ONTARIO)

Hard Suits Inc.
North Vancouver (BRITISH COLUMBIA)

Hepburn Engineering Inc.
North York (ONTARIO)

Hermes Electronics Inc.
Dartmouth (NOVA SCOTIA)

Heron Technology Corp.
Markham (ONTARIO)

Héroux Inc.
Longueuil (QUEBEC)

Hitesi Products Inc.
St. Laurent (QUEBEC)

Honeywell ASCA Inc.
Mississauga (ONTARIO)

Honeywell Aerospace Inc.
St. Laurent (QUEBEC)

Honeywell Limited
Ottawa (ONTARIO)

Horton Automation
Burnaby (BRITISH COLUMBIA)

IMP Aerospace Avionics
Halifax (NOVA SCOTIA)

IMP Group Limited
Halifax County (NOVA SCOTIA)

ImStrat Corporation
Carleton Place (ONTARIO)

IMT Corporation
Ingersoll (ONTARIO)

Image Processing Systems Inc.
Markham (ONTARIO)

Indal Technologies Inc.
Mississauga (ONTARIO)

Informission Group Inc.
Québec City (QUEBEC)

Infradev International Inc.
Montréal (QUEBEC)

Inline Fiberglass Ltd.
Etobicoke (ONTARIO)

Inter City Papers International
Lasalle (QUEBEC)

Interactive Circuits & Systems Ltd.
Gloucester (ONTARIO)

International Centre for Human Resources Management
Pickering (ONTARIO)

International Civil Aviation Organization
Montréal (QUEBEC)

International Code Services Inc.
Aurora (ONTARIO)

International Demining Alliance
Canada Inc.
Carp (ONTARIO)

International Interior Specialists Inc.
Markham (ONTARIO)

Interpac Corporation
St. Laurent (QUEBEC)

Irvin Industries Canada Ltd.
Fort Erie (ONTARIO)

JANSSEN-ORTHO Inc.
North York (ONTARIO)

Jones Marine Services Ltd.
Chemainus (BRITISH COLUMBIA)

Jordair Compressors Inc.
Richmond (BRITISH COLUMBIA)

KB Electronics Limited
Bedford (NOVA SCOTIA)

KCO Metal Products
Laval (QUEBEC)

Ker-Train Research Inc.
Kingston (ONTARIO)

Kessler International Corporation
St. Laurent (QUEBEC)

Kumaran Systems Inc.
Etobicoke (ONTARIO)

La Peausserie de Quebec Inc.
Quebec (QUEBEC)

Labotix Automation Inc.
Peterborough (ONTARIO)

Lancaster Aviation Inc.
Milton (ONTARIO)

Les Bois Lessard -
Tessier International Inc.
Boisbriand (QUEBEC)

Les Produits FREDDY Inc. Products
St. Hyacinthe (QUEBEC)

Liburdi Engineering Ltd.
Dundas (ONTARIO)

Lifting Industries Inc.
Woodbridge (ONTARIO)

Litton Marine Systems Canada
Mississauga (ONTARIO)

Litton Systems Canada
Toronto (ONTARIO)

LNS Systems Inc.
St. Laurent (QUEBEC)

Lockheed Martin Canada
Montréal (QUEBEC)

Logo Computer Systems Inc. (LCSI)
Montréal (QUEBEC)

Lucas Industries Canada Limited
Montréal (QUEBEC)

Macdonald Dettwiler Space and
Advanced Robotics Ltd.
Brampton (ONTARIO)

Machine Outils Henri Line Ltée
Granby (QUEBEC)

Macrodyne Technologies Inc.
Woodbridge (ONTARIO)

Magneto-Inductive Systems Limited
Dartmouth (NOVA SCOTIA)

Marathon Watch Company Limited
Richmond Hill (ONTARIO)

Marine Diesel Engines Ltd.
Caraquet (NEW BRUNSWICK)

MDS Aero Support Corporation
Ottawa (ONTARIO)

MDS-PRAD Technologies Corporation
St. Laurent (QUEBEC)

Mecair Inc.
Pointe Claire (QUEBEC)

Med-Eng Systems Inc.
Ottawa (ONTARIO)

Menasco Aerospace
Oakville (ONTARIO)

Menasco Aviation Services Ltd.
Burlington (ONTARIO)

Merrill Engineering Ltd.
Delta (BRITISH COLUMBIA)

METOCEAN Data Systems Limited
Dartmouth (NOVA SCOTIA)

Messier-Dowty Inc.
Ajax (ONTARIO)

MetalCraft Marine Inc.
Kingston (ONTARIO)

Mid Canada Millwork Ltd.
Steinbach (MANITOBA)

Montreal Parquetry Floors inc.
Montréal (QUEBEC)

Motorola Canada Ltd.
Calgary (ALBERTA)

Mr. Ranojoy Basu Ray
Nepean (ONTARIO)

MRF Geosystems Corporation
Calgary (ALBERTA)

MTU Maintenance Canada Ltd.
Richmond (BRITISH COLUMBIA)

Mustang Survival Corp.
Richmond (BRITISH COLUMBIA)

Nanaktek Corporation
Brampton (ONTARIO)

National Research Council of Canada
Boucherville (QUEBEC)

Neptec Design Group Limited
Kanata (ONTARIO)

NewSun Technologies Ltd.
Nepean (ONTARIO)

Niedner Limited
Coaticook (QUEBEC)

Nordic Systems Inc.
Mississauga (ONTARIO)

Norland Canada Inc.
Dorval (QUEBEC)

Northwest Territorial Airways Limited
Yellowknife (NORTHWEST TERRITORIES)

NSI Communication Inc.
St. Laurent (QUEBEC)

Nunasi Corporation
Yellowknife (NORTHWEST TERRITORIES)

O-Two Systems International Inc.
Mississauga (ONTARIO)

Olympic Gear and Manufacturing Inc.
Bramalea (ONTARIO)

Optech Inc.
North York (ONTARIO)

Orenda Aerospace Corporation
Mississauga (ONTARIO)

Orgues Létourneau Ltée
Saint-Hyacinthe (QUEBEC)

Ovalsys International Inc.
Longueuil (QUEBEC)

P.J. Hannah Equipment Sales Corp.
Surrey (BRITISH COLUMBIA)

Papp Plastics & Distributing Ltd.
Windsor (ONTARIO)

Park Thermal International (1996)
Corp.
Georgetown (ONTARIO)

Pelorus Navigation Systems Inc.
Calgary (ALBERTA)

Poly-Pacific International Inc.
Edmonton (ALBERTA)

Potash Corporation of Saskatchewan
Saskatoon (SASKATCHEWAN)

Pratt & Whitney Canada Inc.
Longueuil (QUEBEC)

Premiere Vision
St. Laurent (QUEBEC)

Pro-Safe Fire Training System Inc.
Nobel (ONTARIO)

Professional Machine Service
Markham (ONTARIO)

Public Works and Government Services
Canada
Verdun (QUEBEC)

PyroGenesis Inc.
Montréal (QUEBEC)

Q-Tron Limited
Calgary (ALBERTA)

Raber Glove Manufacturing Co. Ltd.
Winnipeg (MANITOBA)

Rail Industries Canada Inc.
St. Laurent (QUEBEC)

Raytheon Canada Limited
Waterloo (ONTARIO)

Regan-Grant Corporation
Newmarket (ONTARIO)

Regor Inc.
Montréal (QUEBEC)

Remtec Inc.
Chambly (QUEBEC)

Rolls-Royce Canada Limited
Lachine (QUEBEC)

Sanmina Enclosure Systems
Toronto (ONTARIO)

Satlantic Inc.
Halifax (NOVA SCOTIA)

Scepter Corporation
Scarborough (ONTARIO)

Scotia Rainbow Inc.
Arlach (NOVA SCOTIA)

Serco Facilities Management Inc
Goose Bay (NEWFOUNDLAND & LABRADOR)

Shell Canada Products Limited
Calgary (ALBERTA)

S.J. Precision Machine & Tool Inc.
Scarborough (ONTARIO)

Simunion
Le Gardeur (QUEBEC)

Sipco Aviation Fuels Inc.
Toronto (ONTARIO)

SNC Technologies inc.
Le Gardeur (QUEBEC)

SNC-Lavalin International Inc.
Montréal (QUEBEC)

SkyWave Mobile Communications Inc.
Ottawa (ONTARIO)

Soheil Mosun Ltd.
Toronto (ONTARIO)

Soucy International Inc.
Drummondville (QUEBEC)

Soucy Techno Inc.
Rock Forest (QUEBEC)

Spar Aerospace Limited
Mississauga (ONTARIO)

Spar Aviation Services
Pointe Claire (QUEBEC)

Sparton Corp.
London (ONTARIO)

Spielo Manufacturing Inc.
Moncton (NEW BRUNSWICK)

SpringQuilt Industries Inc.
Pickering (ONTARIO)

Standard Aero Ltd.
Winnipeg (MANITOBA)

Standard-Modern Lathes Inc.
Mississauga (ONTARIO)

Stephens Analytical Inc.
Montréal (QUEBEC)

Stone Marine Canada Ltd.
Iberville (QUEBEC)

Stride Industries Ltd.
Mississauga (ONTARIO)

Swiftsure Spatial Systems Inc.
Victoria (BRITISH COLUMBIA)

Trecan Combustion Limited
Hubley (NOVA SCOTIA)

Tecsult Eduplus inc.
Montréal (QUEBEC)

Tektrend International Inc.
Dollard-des-Ormeaux (QUEBEC)

Teleflex (Canada) Ltd.
Richmond (BRITISH COLUMBIA)

Terra Surveys Limited
Ottawa (ONTARIO)

Tokmakjian Limited
Milton (ONTARIO)

Tourism Standards Consortium
(TSC) Inc.
Edmonton (ALBERTA)

Trackless Vehicles Limited
Courtland (ONTARIO)

TradeBytes Data Corporation
Vancouver (BRITISH COLUMBIA)

Tri-Star Industries Limited
Yarmouth (NOVA SCOTIA)

Triangle Engineered Products Co.
Pointe Claire (QUEBEC)

Triton All-Terrain
Saskatoon (SASKATCHEWAN)

Uni-ram Corporation
Markham (ONTARIO)

University of Calgary
Calgary (ALBERTA)

University of Waterloo
Waterloo (ONTARIO)

Usinage Wild Cat Inc.
St. Georges Beauce (QUEBEC)

Valcom Limited
Guelph (ONTARIO)

Valley Associates Inc.
Ottawa (ONTARIO)

Virtual Prototypes Inc.
Montréal (QUEBEC)

Visual Insights Canada, Inc.
Toronto, (ONTARIO)

Vulkan Harex Steelfiber
(North America) Inc.
Brantford (ONTARIO)

W R T Equipment Ltd.
Saskatoon (SASKATCHEWAN)

Wabco
Stoney Creek (ONTARIO)

Wajax Industries Limited
Langley (BRITISH COLUMBIA)

Walbar Canada
Mississauga (ONTARIO)

Watts, Griffiths and McQuat Limited
Toronto (ONTARIO)

Wescam Inc.
Flamborough (ONTARIO)

West Heights Manufacturing
Kitchener (ONTARIO)

Winsafe Corp.
Markham (ONTARIO)

Wire Rope Industries Limited
Pointe Claire (QUEBEC)

Wright Environmental Management Inc.
Richmond Hill (ONTARIO)

Zenon Environmental Systems Inc.
Oakville (ONTARIO)

Contracted Customer Agencies by Country for Fiscal 1999/2000

Argentina

Consejo Federal De
Inversiones
Unidad de Coordinacion
del Proyecto PASMA

Australia

Department of Defence
Director, Weapons and
Vehicle Procurement
St. Mary's Cathedral

Belgium

Ortho-Clinical
Diagnostics

Bermuda

Precision Somers Joint
Venture
The Bermuda Regiment

Chile

Servicio Nacional de
Capacitación y Empleo

China, People's Republic

Chungwa Picture Tubes
(FUZHOU) Ltd.
Import and Export
Corporation of Liaohe
Oilfield
Office of the State
Commission for Public
Service
Yaohua-Inline Energy-
Saving Dorwin Co., Ltd.

Costa Rica

Instituto Costarricense
Contra el Cancer

Cuba

Abatur S.A.
Autoimporte de la
República de Cuba
Empresa Contruimport
Empresa Produimport
Empresa Tractoimport
Provedora General
Del Transporte
Quimimport

Denmark

Danish Army Materiel
Command

Dominican Republic

ABCO S.A.

Egypt

Civil Aviation Authority
of the Arab Republic
of Egypt

Gabon

Ministère de l'Économie,
des Finances, du Budget

Germany

Bundesamt fur
Wehrtechnik
Hamberger
Industriewerke Gmbh
MTU Motoren-Und
Turbinen-Union
Ludwigsfelde Gmbh
SOLON AG fur
Solartechnik

Hong Kong, China

Ace Fur Manufacturing
Limited

India

CMC Limited
Mahanagar Gas Ltd

Indonesia

UNAMET

Italy

ALI Parquets
Fincantieri

Jamaica

Ministry of Health

Japan

Kawasaki Heavy
Industries
Sanko Tsusho Co., Ltd

Luxembourg

Armée Luxembourgeoise
Nato Maintenance and
Supply Agency (NAMSA)

Mexico

Bombardier Concaril,
S.A. de C.V.
Comisión de
Adquisiciones y
Enajenaciones
Comision Nacional
del Agua
Minera Del Norte S.A.
De C.V.

Nepal

Ministry of Tourism and
Civil Aviation

Netherlands

Catharina-Ziekenhuis
Hospital
Ministry of Defence
Stichting Exploitatie
Nederlandse Staatsloterij
Stichting Nationale
Sporttotalisator
Stichting Trombosedienst
& Artsenlaboratorium

Norway

Norwegian Army Central

Pakistan

Al Mubarak CNG Station
Caltex Oil (Pakistan)
Limited
Syed Service Station

Portugal

Direcção de Navios
Ministerio Da Defesa
Nacional

Romania

Ministry of Labour &
Social Protection

Russia

Aeroflot Russian Airlines

Saint Lucia

Caribbean Customs Law
Enforcement Council
(CCLEC)

Saudi Arabia

Ministry of Municipal
and Rural Affairs
Saudi Est. for Commerce
and Contracting

Singapore

Singapore Technologies
Kinetics Ltd.

Sweden

AB Svenska Spel

Switzerland

Solothurnische
Gebäudeversicherung

Tanzania

Tanzanian Railway
Corporation

Trinidad and Tobago, Republic of

Ministry of Health

United Kingdom

Aberdeenshire Council

British Aerospace
(Operations) Limited

Defence Clothing and
Textiles Agency

Island Waste Services
Limited

London Fire and Civil
Defense Authority

Pratt & Whitney Canada
(UK) Limited

Rolls-Royce Derby

Royal Air Force

United Nations

UNICEF

UN Population Fund

UN Procurement and
Transportation Division

World Food Program

United States of America

USAID

US Air Force

US Army

US Marine Corps

US Navy

Bacardi-Martini U.S.A
Inc.

Beltrone Construction Co.
Inc.

Boeing Aerospace
Operations Inc.

Boeing Company-Shared
Services Group

Charles Jacquin &
Cie., Inc.

Coastal Helicopter Inc.

County of Orange

Defense Distribution
Center

Defense Industrial
Supply Center

Defense Logistics Agency

Department of the
Treasury

Dollar Tree Stores Inc.

Duke University Health
Systems

Dunn-Malco

EDO Corporation

ESD L. G. Hanscom Field

Electronic Systems Centre
(PKRC)

Expac Seafood Inc.

FISC Norfolk Acq Group

FISC Shipyard Support
Det

First Presbyterian Church

Frank M. Booth Inc.

General Motors
Corporation

Goddard Space Flight
Center

H.R.H. Construction
Corporation

Hanwa American Corp.

Harmon Ltd.

Hercules Construction &
Development Inc.

Hingham Municipal
Lighting Plant

Honeywell Inc.

Imperial Bedding
Corporation

Interstate Mechanical

Items International
Inc./Airwalk

Itochu Aviation Co. Ltd.

John J. McMullen
Associates Inc.

Kampi Components
Co., Inc.

Kenaidan Construction
Corp.

Litton Procurement PRC

Lockheed Martin

Marlyn Steel Decks Inc.

Martin International

Merrimack Valley
Regional Transit
Authority MVRTA

Military Sealift Command

National Aeronautics and
Space Administration

National Imagery and
Mapping Agency

Oil Stop Inc.

Perfection Hydraulics Inc.

Plaza Construction
Corporation

Primex Technologies Inc.

Raytheon Electronic
Systems (AN2-F04)

Rockland County Sheriff's
Dept.

Sealy Inc. Brenham Texas

Sealy Inc. Denver
Colorado

Sealy Inc. Trinity North
Carolina

Selectron Industrial
Company

St. John's Episcopal
Church

St. Mary's on the
Highlands Episcopal
Church

Swinerton & Walberg Co.

TNT Logistics North
America

The Cathedral of St.
Andrew's

The Stanley Works

The World Bank

Tobyhanna Army Depot

Trinity United Methodist
Church

Turner Construction
Company

U.S. Department of
Energy

U.S. Department of State

United States Department
of Agriculture

Wallops Flight Center

Warner Robins Air
Logistics Center

Watervliet Arsenal

White Sands Missile
Range

Wright Laboratory

Wright Laboratory
(WL/MLKM)

Vietnam

The Vietnam National
Maritime Bureau

Financial Statements

1999-2000

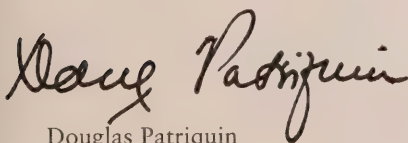
Management Responsibility for Financial Statements

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.



Douglas Patriquin
President



Paul Thoppil
Chief Financial Officer

Ottawa, Canada
June 2, 2000

Auditor's Report

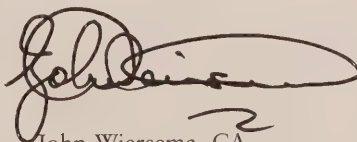
To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2000 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 2000

Balance Sheet

As at March 31, 2000
(in thousands of dollars)

ASSETS	2000	1999
Cash and short-term deposits (Note 3)	\$ 50,806	\$ 51,770
Accounts receivable (Note 4)	188,379	160,691
Advances to suppliers	41,940	29,010
Progress payments to suppliers	75,295	44,731
	\$ 356,420	\$ 286,202

LIABILITIES

Accounts payable and accrued liabilities (Note 4)	\$ 189,941	\$ 168,841
Advances from customers	58,398	48,852
Progress payments from customers	75,840	44,065
Provision for additional contract costs (Note 5)	2,819	279
	326,998	262,037
Employee termination benefits	1,064	998
	328,062	263,035

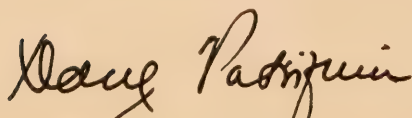
Contingencies (Note 7)


EQUITY OF CANADA

Repayable working capital appropriation (Notes 1 and 8)	5,000	-
Contributed surplus (Note 1)	15,000	15,000
Retained earnings	8,358	8,167
	23,358	23,167
	28,358	23,167
	\$ 356,420	\$ 286,202

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


President


Director

Statement of Operations and Retained Earnings

for the year ended March 31, 2000

(in thousands of dollars)

REVENUES	2000	1999
Contract billings (Note 9)	\$ 897,726	\$ 788,709
Interest and other income	2,812	1,880
Cost recovery	3,183	1,747
Gain (loss) on foreign exchange	(728)	1,040
	902,993	793,376
EXPENSES		
Cost of contract billings	897,726	788,709
Additional contract costs	3,345	1,057
Administrative expenses	14,279	13,403
	915,350	803,169
Net results of operations before parliamentary appropriation	(12,357)	(9,793)
Parliamentary appropriation (Note 8)	12,548	10,443
Net results of operations	191	650
Retained earnings at beginning of year	8,167	7,517
Retained earnings at end of year	\$ 8,358	\$ 8,167

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

for the year ended March 31, 2000
(in thousands of dollars)

CASH FLOWS FROM OPERATING ACTIVITIES

	2000	1999
Receipts from customers	\$ 911,846	\$ 800,123
Interest and other income received	5,995	3,627
Payments to suppliers	(920,611)	(801,604)
Administrative payments	(15,014)	(13,499)
Cash flows used in operating activities (Note 13)	\$ (17,784)	\$ (11,353)

CASH FLOWS FROM FINANCING ACTIVITIES

Parliamentary appropriation - operating	\$ 12,548	\$ 10,443
Parliamentary appropriation - contributed surplus	—	5,000
Parliamentary appropriation - repayable working capital appropriation	5,000	—
Cash flows from financing activities	\$ 17,548	\$ 15,443
Effect of exchange rate changes on cash and short-term deposits	(728)	1,040
(Decrease) increase in cash and short-term deposits	(964)	5,130
Cash and short-term deposits at beginning of year	51,770	46,640
Cash and short-term deposits at end of year	\$ 50,806	\$ 51,770

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 2000

1. Nature, Organization and Funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* (the Act) and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign governments, international organizations and other buyers. Corresponding supply contracts are entered into with Canadian firms by the Corporation.

The Government has provided the Corporation with \$15 million as contributed surplus and a \$5 million repayable working capital appropriation. The Corporation also has authority to draw loans from the Consolidated Revenue Fund, subject to Minister of Finance approval, in amounts up to a total of \$10 million as required to supplement its working capital. Annually, the Corporation's operations are primarily funded through a parliamentary appropriation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its contract billings, and related costs, when a delivery has taken place thus passing title to the customer, or, in the case of progress payments, upon acceptance of progress billings from suppliers for work performed.

The Corporation uses the percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress

payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced upon completion of delivery and acceptance by the customer.

Progress payments from customers and to suppliers, represent payments made by foreign buyers and to Canadian exporters respectively on contracts where the partial recoupment of costs (usually up to 80%), associated with the work performed on a contract leading up to delivery, is allowed. Given that the payment flows through to the Canadian exporter, the liabilities are essentially offset on the asset side of the balance sheet.

Advances from customers and to suppliers represent a down payment made at the outset of the contract, before any work has been performed.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

The Corporation recovers its costs on a number of its contracts, mainly international sales. Its ability to recover costs is governed by the Act and international agreements. Amounts are recognized as earned.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Contracts with foreign customers and corresponding contracts with Canadian suppliers are generally entered into in the same currency. The Corporation uses this and other techniques in order to effectively transfer currency risk to the supplier.

Working capital is maintained in currencies other than Canadian dollars to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Parliamentary Appropriation

Parliamentary appropriations for annual operating costs are recorded in the Statement of Operations and Retained Earnings in the year for which they are approved.

(d) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Future Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Cash and Short-term Deposits

As at March 31, 2000, cash and short-term deposits include:

	Year ended March 31			
	2000		1999	
(in thousands)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
Canadian dollars	\$29,221	\$29,221	\$27,381	\$27,381
U.S. dollars	14,039	20,349	13,707	20,680
Australian dollars	791	697	2,594	2,482
German deutsche mark	516	368	527	440
British pound sterling	74	171	323	787
		\$50,806		\$51,770

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2000, the average term to maturity was three days (1999 - one day). The overall portfolio yield at March 31, 2000 was 5.7% (1999 - 4.9%). Cash and short-term deposits are recorded at cost which approximates market value.

Of the cash and short-term deposits, \$25,639,000 (1999 - \$35,695,000) represents funds received from foreign customers which will be remitted to Canadian suppliers at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except those due to small and medium sized enterprises which are paid within 15 days. In neither case does interest accrue.

5. Provision for Additional Contract Costs

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of \$2,819,000 as of March 31, 2000 (1999 - \$279,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

6. Contractual Obligations

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2000, the total contract value remaining to be fulfilled approximates \$1.1 billion (1999 - \$1.1 billion).

Under the Progress Payment Program the Corporation also indemnifies participating banks for amounts they have advanced to Canadian suppliers. To offset these indemnities, the Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2000 is \$9,331,000 (1999 - \$6,804,000).

7. Contingencies

In 1997, the Corporation was served with a statement of claim arising from its contracting operations. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, the potential liability of the Corporation and consequent damages arising from such a liability are, at present, not determinable.

Amounts, if any, payable on claims by the Corporation will be recorded in the year in which they can be determined.

8. Repayable Working Capital Appropriation

During the year, the Corporation received appropriations in the amount of \$17,548,000 from the Government of Canada. Of this amount, Treasury Board indicated that \$5,000,000 was a recoverable working capital advance and, accordingly, the Corporation has recorded the amount as a repayable working capital appropriation. The contribution is recoverable through reductions of the Corporation's funding levels as follows: \$2,500,000 in fiscal year 2001-02 and \$2,500,000 in fiscal year 2002-03.

The remaining \$12,548,000 was provided for this year's annual operating costs and has been recorded in the statement of operations and retained earnings.

9. Contract Billings

Contract billings are distinct from Corporate business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2000 amounted to \$1.1 billion (1999 - \$748 million).

Contract billings arising from the Corporation's facilitations of sales of Canadian goods to foreign governments, international agencies and other buyers throughout the world were distributed as follows:

	Year ended March 31	
(in thousands of dollars)	2000	1999
U.S. Government and Buyers	\$ 645,670	\$ 527,393
Other Foreign Governments and Buyers	222,380	242,869
United Nations Agencies	29,676	18,447
	\$ 897,726	\$ 788,709

10. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Generally, Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 2000 the cost of these services amounted to \$3,700,000 (1999 - \$3,083,000) and are included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is estimated that the cost of this service would approximate \$1 million based on the amount that was transferred from the Corporation's funding level, to Public Works and Government Services Canada. The value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2000 the cost of legal fees and expenses for specific actions amounted to \$434,000 (1999 - \$479,000) and are included in administrative expenses.

As a result of all related party transactions, the amounts due from and to these parties are \$506,000 (1999 - \$136,000) and \$574,000 (1999 - \$888,000) and are included in the accounts receivable and accounts payable respectively.

11. Insurance

The Corporation carries default insurance that covers it against additional contract costs in excess of \$4 million per annum, with a maximum coverage of \$75 million.

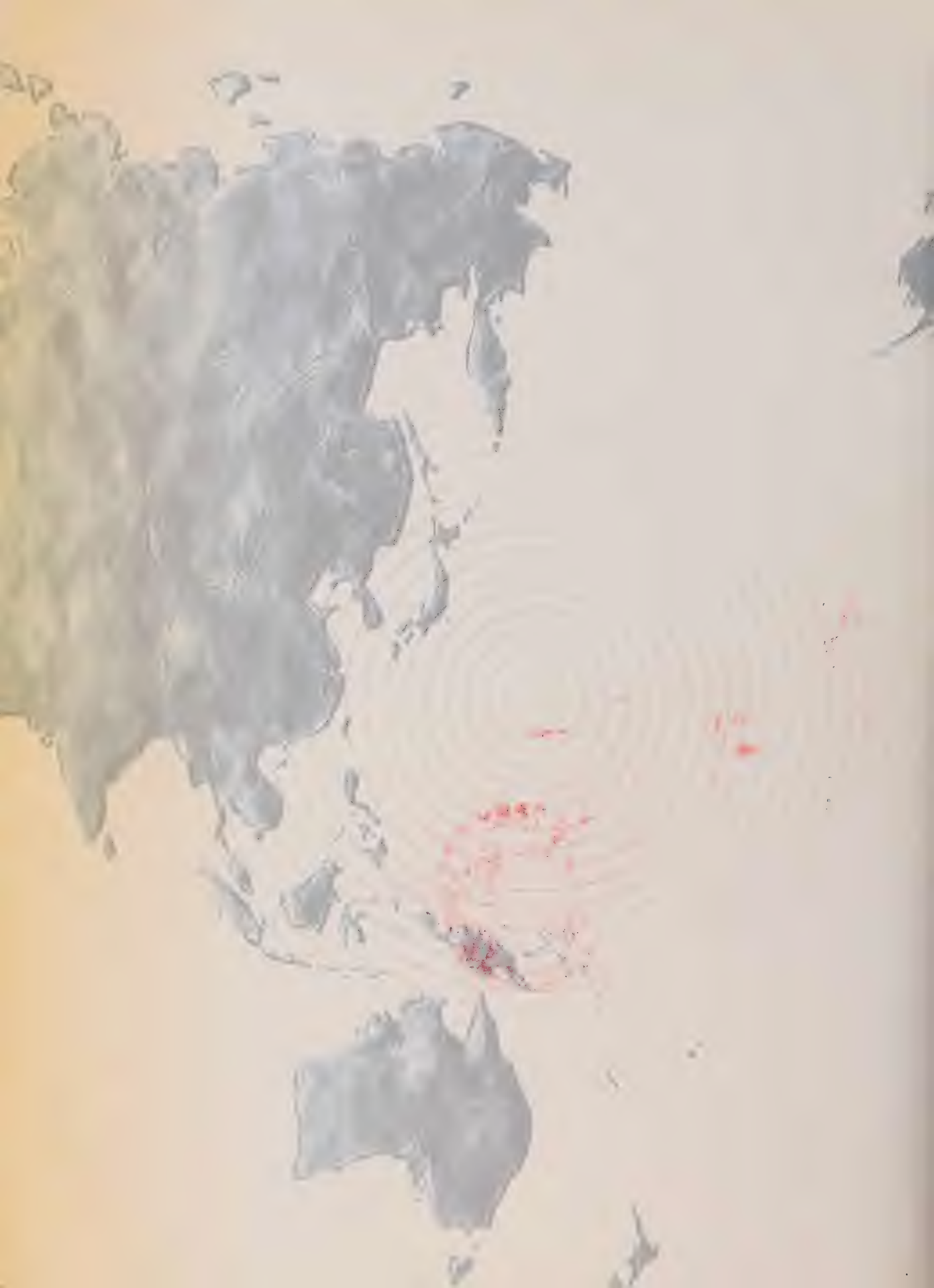
In addition, the Corporation carries specific insurance relating to fraud, computer hardware and software, office furniture and fixtures, and travel accident and medical.

12. Lease Commitments

Effective October 1, 1995, the Corporation entered into a 10-year lease agreement for office space. The annual payments for the duration of the lease will approximate \$775,000.

13. Reconciliation of Net Results of Operations before Parliamentary Appropriation to Cash Used in Operating Activities**Year ended March 31**

<i>(in thousands of dollars)</i>	2000	1999
Net results of operations before parliamentary appropriation	\$ (12,357)	\$ (9,793)
Adjustments to reconcile net results to net cash used by operating activities:		
(Increase) decrease in accounts receivable	(27,688)	19,180
(Increase) decrease in advances to suppliers	(12,930)	11,654
(Increase) in progress payments to suppliers	(30,564)	(4,841)
Increase (decrease) in accounts payable and accrued liabilities	21,100	(17,618)
Increase (decrease) in advances from customers	9,546	(13,314)
Increase in progress payments from customers	31,775	5,676
Increase (decrease) in provision for additional contract costs	2,540	(1,243)
Increase (decrease) in employee termination benefits	66	(14)
Total adjustments	(6,155)	(520)
Loss (gain) on foreign exchange	728	(1,040)
Cash used in operating activities	\$ (17,784)	\$ (11,353)



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Government
Publications



**Canadian
Commercial
Corporation**

Annual Report
2000-2001

CANADIAN EXPORTS

REALIZING OUR VISION

Canada

Corporate Profile

The Canadian Commercial Corporation (CCC) is an export sales agency specializing in sales to foreign governments and international institutions.

By selling through CCC, Canadian companies gain direct access to U.S. defence and aerospace markets, under the Canada-U.S. Defence Production Sharing Agreement (DPSA). CCC's governmental status enables it to structure commercial sales on a government-to-government basis. This facilitates transactions with government agencies in many countries, and thus improves exporters' prospects in public-sector procurement markets around the world.

CCC offers foreign buyers a unique government-backed guarantee of contract performance. This guarantee raises the credibility of Canadian companies, particularly small- and medium-sized firms. It increases their ability to win export contracts on improved terms and to obtain working capital from commercial sources.

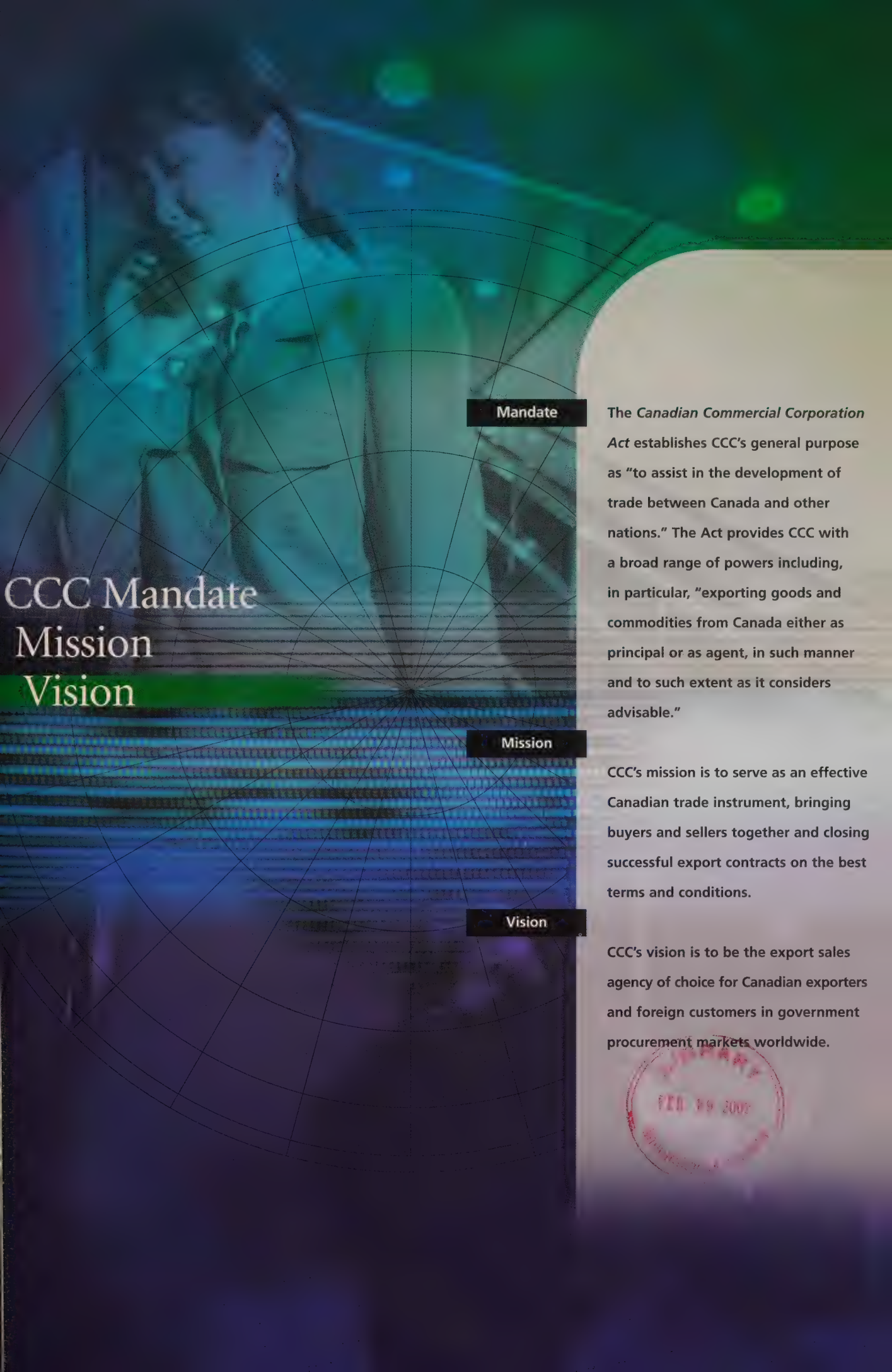
CCC has signed export contracts as a prime contractor on behalf of thousands of Canadian companies, facilitating export sales of over \$30 billion to satisfied buyers in more than 100 countries. CCC export sales are often in sectors where Canadians are at their innovative best — from state-of-the-art aerospace and defence products to leading-edge information and communications technologies.

CCC identifies export opportunities and matches them to Canadian capabilities; it develops, bids and negotiates foreign contracts; it monitors performance; and it resolves contractual issues. CCC's staff has extensive knowledge and expertise in

selected markets, contracting practices and risk mitigation, international negotiations, and contract administration and financing.

Established as a Crown Corporation by the Government of Canada in 1946, CCC is headquartered in Ottawa and has local representatives in major centres across the country. These representatives provide a local presence and a link to the trade activities of the provinces.





CCC Mandate Mission Vision

Mandate

The *Canadian Commercial Corporation Act* establishes CCC's general purpose as "to assist in the development of trade between Canada and other nations." The Act provides CCC with a broad range of powers including, in particular, "exporting goods and commodities from Canada either as principal or as agent, in such manner and to such extent as it considers advisable."

Mission

CCC's mission is to serve as an effective Canadian trade instrument, bringing buyers and sellers together and closing successful export contracts on the best terms and conditions.

Vision

CCC's vision is to be the export sales agency of choice for Canadian exporters and foreign customers in government procurement markets worldwide.

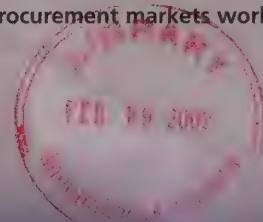


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Highlights



\$1.338 billion	CCC's total business volume for the fiscal year
\$874 million	Total sales volume to the U.S.
\$729 million	Total sales made to the U.S. DoD and NASA
\$145 million	Sales volume to U.S. civilian agencies and private-sector buyers
\$464 million	Total international business volume (outside U.S.)
\$241 million	Total sales volume achieved by small- and medium-sized companies
\$60 million	Volume of exports supported by Progress Payment Program
1,795	Canadian exporters accessing CCC services
273	Total number of Canadian exporters contracting through CCC
5,569	Total volume of contracts and amendments
31	Total number of countries buying through CCC
7.4/10	Client satisfaction rating

President's Message — Realizing our Vision

2

This has been an exciting year for the Canadian Commercial Corporation. CCC increased its contribution to export sales, and provided enhanced levels of service to a larger and broader group of exporters. It was a year of setting business records and achieving important new milestones for CCC's exporters and their customers abroad.

Building on our successes, the Corporation sought to increase its contribution to Canadian export growth, particularly with small- and medium-sized companies:

- We put forward a vision to fulfil CCC's legislated mandate and its potential to support Canadian exporters to gain a much bigger share of the U.S. \$5.3 trillion worldwide government procurement market, which CCC is especially well-equipped to do.
- We outlined a business and financial strategy to do this in our five-year Corporate Plan, based on the recommendations of the Stikeman Elliott report on CCC's mandate and prospects (reviewed in last year's annual report), and submitted it to the government for consideration.

Results

In 2000-2001, the Canadian Commercial Corporation met or exceeded its key business volume and financial targets. For the fiscal year ending March 31, 2001, CCC's worldwide activities resulted in over \$1.338 billion in export sales, our highest business volume ever, thereby creating or sustaining an estimated 11,000 jobs here in Canada. We worked with 1,795 exporters from a wide range of industry sectors, and successfully assisted 273 companies from all regions of Canada to sell to buyers in 31 countries.

Douglas Patriquin
President



CCC's U.S. business totalled \$874 million, or 65 per cent of total sales. Our international non-U.S. sales amounted to \$464 million, which exceeded last year's performance by 74 per cent.

In addition, our focus on developing new business with Canada's small- and medium-sized enterprises (SMEs) continued. Our Progress Payment Program (PPP) continued to support smaller exporters accessing working capital for their export projects from financial institutions. This year, PPP achieved a business volume of \$60 million with 33 firms.

Evolving to meet our clients' needs

The opportunities we pursue as a prime contractor on behalf of Canadian exporters have evolved. Today, we are working increasingly with companies outside our traditional business lines of aerospace and defence. We are promoting Canadian capabilities and innovation in high technology, and environmental sectors, transportation and consumer goods.

CCC has also provided export sales and contracting services to help SME clients access non-traditional markets. Take, for example, China. Small- and medium-sized exporters have relied on CCC's services to enhance their credibility with Chinese partners and buyers, and to access commercial sources of working capital for their projects in China. Recently, CCC helped its clients win sales with Tianjin Global Magnetic Card Company, Angang Group International, Chunghwa Picture Tubes (Fuzhou) Limited, and China Yaohua Glass Group Corporation. As a sponsor and participant in the Team Canada 2001 trade mission to China, CCC is eager to use this opportunity and its public-sector sales and contracting experience to help more small Canadian companies win export sales in this market.

*This was a year
of setting business
records and achieving
important new
milestones for
CCC's exporters.*



What is CCC's role? To facilitate trade. First and foremost, we assure our foreign buyers, often thousands of miles away, that the engineering, production, price and delivery requirements of the contracts we sign on behalf of our exporters will be fully satisfied. We then monitor contract performance and work with both parties to ensure this result. This raises our exporters' credibility and wins contracts on better terms.

Realizing CCC's potential

CCC has demonstrated the value of its services in bringing Canadian exporters together with foreign buyers in public-sector procurement markets around the world. However, beyond the U.S. aerospace and defence market, where CCC has a significant concentration of business, its international portfolio is diverse and scattered across many countries and sectors.

We believe we can have a more significant impact on Canada's success in these markets and play a more strategic role in establishing Canada's presence in them. The Stikeman Elliott report endorsed this view of CCC's potential, and recommended the Corporation take a proactive approach to realize it. This is our vision — to be the export sales agency of choice for Canadian exporters and foreign customers in government procurement markets worldwide.

Strategies

In its Corporate Plan for 2001-2006, CCC has developed a clear plan to move in this direction over the next five years by:

- increasing awareness of our service offerings;
- enhancing services to better meet the demands of clients and customers;

- targeting prospective markets and sectors of strategic importance to Canada;
- ensuring the Corporation has the human, technical and financial capacity to meet its clients' expectations and needs.

By 2006, CCC is committed to realizing the following initiatives and activities:

- **Increasing awareness of CCC's service offerings:** CCC cannot fulfil its potential if Canadian clients and foreign customers don't know about it. While CCC enjoys an extraordinary level of support from its actual clients, the Corporation's services often come as a surprise when companies are introduced to them. According to a recent survey, CCC is recognized by an estimated 30 per cent of exporters. We must make our services better known to those in the export community if we are to fulfil our mandate.

Part of the solution lies in finding ways to communicate the purposes and role of this effective and unique Canadian institution. CCC's strategy is to achieve broad recognition across the Canadian export community; to ensure its value and services are understood by potential clients; and to encourage use in targeted sectors and country markets.

- **Enhancing services to better meet the demands of clients and customers:** The Corporation believes it needs to evolve its current service offerings to reflect changing market conditions and opportunities. When CCC acts in its traditional role of prime contractor to a foreign buyer, it delivers a package of services. These include matching customer needs to Canadian capabilities; developing, bidding and negotiating foreign

contracts; arranging financing; paying suppliers; and monitoring progress under a blanket performance guarantee.

The value of these services might be more appreciated if they were available in smaller packages tailored to individual circumstances. The Corporation will also move from a "satisfaction" measure to a "value" measure in its annual client surveys, in order to gain a better insight into client needs and differentiate its offerings effectively.

• **Targeting prospective markets and sectors of strategic importance to Canada:**

We recognize that improved business growth requires the Corporation to concentrate its efforts in areas of high potential and interest. The approach CCC intends to take is to identify and develop business opportunities in sectors where Canadian exporters have a competitive advantage, and in country markets where Canada has strategic interests. We continue to be strong in aerospace and defence, and we will add the following sectors: environmental services, information technology, oil and gas, mining equipment, as well as housing products and construction. Geographically, we will focus increasingly on Latin America; we will place a greater focus on sales to government civilian procurement markets in the U.S.

• **Ensuring the Corporation has the human, technical and financial capacity to meet its clients' expectations and needs:**

CCC will develop a comprehensive human resources strategy to expand, train and develop its professional work force. The Corporation will invest in information technology infrastructure that will enhance the efficiency of business operations and ultimately

serve as a platform for innovative e-business solutions. The Corporation will also work to strengthen its finances, to grow and deliver quality services, to meet changing client needs, and to absorb more risk in support of exporters.

Resources

During the 2000-2001 fiscal year, the Corporation held extensive discussions with its shareholder regarding three financial management concerns:

- enhancement of its liquidity capability,
- access to additional risk capital,
- increase in its operating funds.

CCC is pleased to note that the shareholder acknowledges these issues and is working towards finding a solution.

An urgent need for more liquidity has been partially addressed, as the Corporation has received approval to access the provision in its Act to borrow up to \$10 million from the Consolidated Revenue Fund for liquidity purposes. With growth, the Corporation's liquidity requirements will be substantially larger. Consequently, it is seeking a legislative amendment to its Act in order to borrow at a higher ceiling level, and to do so from the private sector as other commercial Crown Corporations do. The improvement in the Corporation's liquidity position will enable CCC to maintain timely payments to its clients, the vast majority being SMEs who rely on these payments to fulfill weekly or bi-weekly payroll obligations.

The Corporation believes it could do more to support the government's policy of assisting SMEs if it had access to additional risk capital. Based on cur-

*CCC will identify
and develop business
opportunities in specific sectors:*

- Environmental Services/
Technologies*
- Information Technologies*
- Oil/Gas and Mining
Equipment*
- Housing Construction*

rent capitalization and the ability to borrow to meet liquidity requirements, the Corporation will be hard pressed, from a risk management capacity perspective, to facilitate more SME export contracts beyond present levels without the injection of additional capital.

The Corporation has proposed a future legislative amendment to its Act, which would enable the Corporation to develop a commercial fee structure for its services and thereby increase its financial sustainability and risk capacity to support exporters. Over the last few years, CCC has not been able to increase the number of Canadian exporters with which it signs contracts. While increased risk capital and liquidity are necessary for further client growth, the key limitation is operating dollars, because of the labour-intensive processes required to develop and manage effective export contracts. The Corporation believes it can raise more of its own revenues by moving from simple cost recovery to a more commercial fee structure, a change which would require a legislative amendment to the CCC Act. Business under the DPSA does not carry fees, however, by mutual agreement between Canada and the U.S. Thus, CCC also requires assistance from the government as its shareholder, in the form of higher stable operating appropriations, if it is to sustain its programs and serve a growing clientele.

With additional financial resources, the first two years of the five-year planning period will be transition years, followed by successive years of investment in awareness, marketing, technology and human resources. These investments are needed to enable



CCC to achieve significant, sustainable increases in business volumes in the 2003-2006 period.

Moving forward

In 2001-2002, CCC will take the initial steps to implement its strategic plan. To improve client focus, international business teams are being realigned along sectoral lines. A market opportunities group is being set up to develop customer relationships and identify opportunities in targeted countries. The Corporation will plan a campaign to raise awareness of its services in the exporting community, and identify partners for cooperative delivery of services. It will undertake a number of initiatives to strengthen its human resources, and make investments in its information systems needed to lower operating costs and increase functionality.

For fiscal year 2001-2002, CCC will seek to achieve the following key business objectives:

- expand its client base to 1,865 exporters utilizing CCC services;
- enable 280 clients to successfully contract through the Corporation;
- increase total business volume to \$1.377 billion, of which \$885 million includes non-light armoured vehicle (LAV) sales;
- generate cost recovery and other term discount revenues of \$3.6 million.

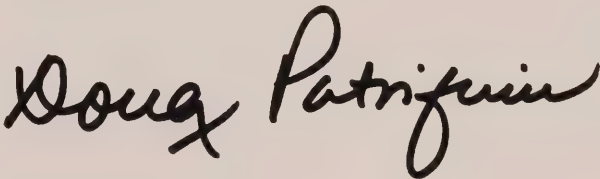
Thank you

This year saw the departure of three members of our Board of Directors: Helen Gillespie, Kathryn McCallion and Len McNeil. I would like to thank them for their support and guidance.

I would like to thank all of our Board of Directors and employees for their hard work and commitment to the Corporation, our exporters for making us their partner in export sales, and our foreign buyers for recognizing that a sale placed through CCC means performance and excellence.

I would like to recognize the valuable contribution of Glen Nichols, Vice-President, Corporate Strategy and Marketing, who leaves us after seven years.

All of us at CCC will work to continue to serve Canadian exporters, and to fulfil its potential to contribute to international trade.



Douglas Patriquin
President, Canadian Commercial Corporation

PERFORMANCE

AGAINST BUSINESS TARGETS

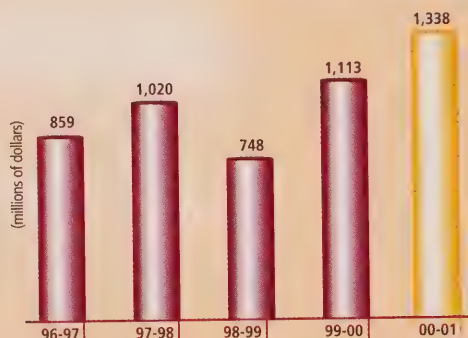
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In its 2000-2001 Corporate Plan, the Canadian Commercial Corporation set five business objectives:

Value of Orders Received

(in millions of dollars)

	1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
Excluding LAVs	\$902 million	\$836 million	\$885 million	\$885 million
LAVs	\$211 million	\$550 million	\$453 million	\$492 million
Total	\$1.113 billion	\$1.2 to 1.4 billion	\$1.338 billion	\$1.377 billion



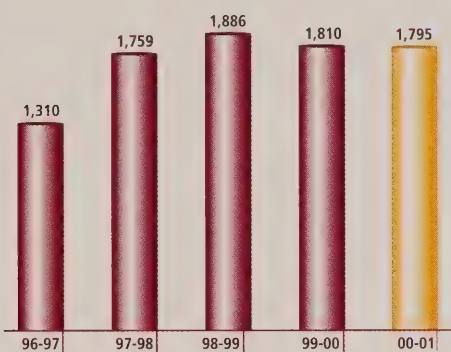
The business volume target is composed of the Corporation's baseline business — sales to the U.S., international sales and PPP. The Light Armoured Vehicle (LAV) business is segregated from the rest of the business volume as it is made up of a small number of contracts with large volumes, and the gain or loss of one LAV contract may result in a highly variable business volume total from year to year. The 2000-2001 target was based on a range of business volume between \$1.2B and \$1.4B given the uncertainty of committed financial resources from the shareholder at the time the targets were set.

The Corporation is therefore pleased to note that it facilitated export contracts at the upper end of the target. Particularly noteworthy was the achievement of the baseline business volume whereby each of the three operational areas contributed to the results: U.S. (6.4 per cent increase over the target), international sales (28.6 per cent increase over the target), and PPP (0.3 per cent over the target). The majority of sales were attributable to vehicle and rail equipment (45 per cent) and aerospace (18 per cent).

CCC's objective is to increase the number of its projects, both large and small. The Corporation has identified \$2B of potential projects in its pipeline; they are currently being developed. The ability to do more in assisting Canadian exporters will be dependent on increasing its financial capacity. In the interim, the Corporation has set the same baseline business volume target for 2001-2002.

Canadian Companies Accessing CCC service

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
1,810	2,100	1,795	1,865



This performance target includes the number of companies working with CCC at the bid or pre-contract stage, companies contracting with CCC, and companies using CCC's bid-matching service.

CCC had set a target of 2,100 companies accessing its services in 2000-2001. This was acknowledged at the outset as a stretch goal. The Corporation fell short of that in its official count of 1,795 (85.5 per cent of target). The Corporation has set a target of 1,865 for 2001-2002 based on financial capacity limits. In the long term, we believe that the number of exporters using CCC services will continue to grow as exporters, particularly SMEs, become aware of the services and benefits that accrue from working with the Corporation.

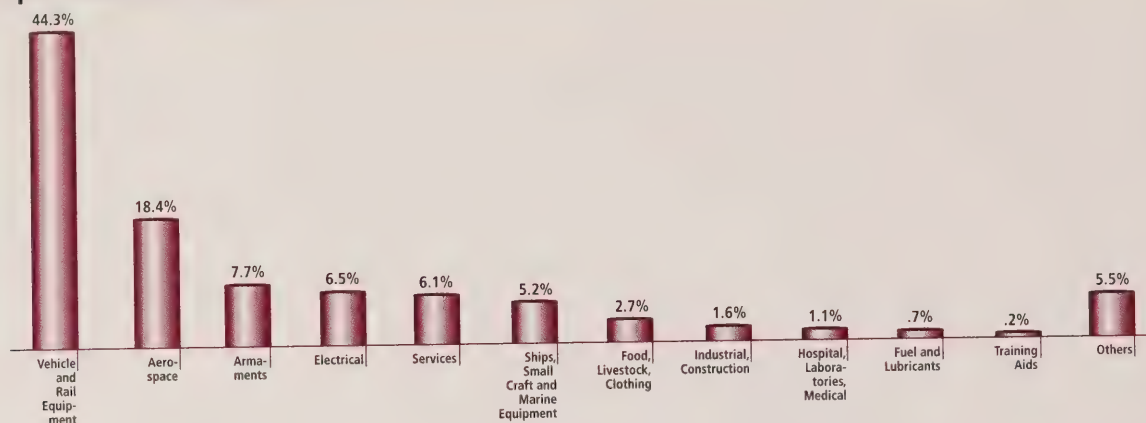
Exporters successfully contracting through CCC

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
280	310	273	280

While a large number of clients access CCC services, the percentage of those firms actually engaging in business with CCC remains at about 15 per cent of the total number of clients. Like the 2000-2001 target established for the number of exporters utilizing CCC services, the 2000-2001 target for the number of exporters successfully contracting through CCC was a stretch goal. The total of 273 is down marginally from the level achieved in 1999-2000. Given its limited resources and risk tolerance levels, the Corporation has had to be selective in its portfolio, and did not manage to achieve its target of signing business deals with 310 firms in 2000-2001. For the same reasons outlined in the performance indicator above, the

Percentage of sales by product category

(April 2000-March 2001)



Corporation has established a similar target for the number of exporters successfully contracting through CCC in 2001-2002.

Time required to make payments for exporters

	1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
Accelerated Payment Program	16 days	15 days	16 days	—
Regular Payments	31 days	30 days	32 days	30 days

Exporters rely on timely payments on their sales contracts to grow or maintain operations. CCC acknowledges this need and strives to deliver. Under the DPSA, CCC sets a 15-day standard for payments to qualified SMEs under its Accelerated Payment Program and a 30-day standard for other Canadian exporters. The Corporation did not achieve this standard due to its limited capital structure. We believe that increased liquidity access in the future, through the ability to borrow, will facilitate the achievement of the 2001-2002 target, which retains the same historical standard.

Client satisfaction index

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
7.4	7.4	7.4	7.2*

In 1999-2000, the Corporation achieved a record score of 7.4 out of 10 in its client satisfaction index, which measures CCC's responsiveness to exporters' needs and expectations. For 2000-2001, the index results remained at 7.4 but revealed a number of areas where the Corporation could improve. In response, the Corporation will implement a revised value-based client satisfaction measurement system for the coming year.

* This is based on a new value-based measurement system to be implemented in 2001-2002.

PERFORMANCE

AGAINST

FINANCIAL TARGETS

2000-2001 net results of operations versus budget

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
\$191,000	(\$750,000)	\$1.8 million	\$0

The Corporation established a 2000-2001 operating budget loss of \$750,000 due to rising expenditures to maintain basic operations, otherwise known as program integrity expenditures. In comparison, the Corporation recorded an operating surplus of \$1.8M for the 2000-2001 fiscal year. However, after factoring the non-cash item of \$1.9M in foreign exchange translation gains, CCC's operating results essentially match the funding received from the shareholder. Substantial increases beyond budget in cost recovery revenues and interest income offset increased provisions for additional contract costs stemming from a few SME projects and the decision to move more quickly in implementing CCC's software renewal project. The Corporation was also successful in obtaining an additional \$2.9M in operating appropriations beyond Main Estimates. Next fiscal year, the Corporation intends to pursue a balanced budget based on seeking additional financial resources from the shareholder.

Cost recovery and term discount revenues

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
\$3.8 million	\$3.0 million	\$4.3 million	\$3.6 million

CCC applies cost recovery to all services except business transacted under the aegis of the Canada-U.S. DPSA. The Corporation's target of \$3.0M for the fiscal year was based on the combined performance of the previous few years for prudent budget planning purposes. The Corporation exceeded this year's cost recovery and term discount revenue target which established a record achievement in this key indicator. This is the result of growth in the use of CCC services in international markets. The Corporation is budgeting a smaller revenue base next year, again for prudent budget planning purposes, taking into account a review of its revenue production over the last few years.

The Corporation aspires to implement a fee-for-service regime in 2002-2003. The new regime would enable the Corporation to price and accept more risk on behalf of its clients' projects, particularly among SMEs. It will also enable the Corporation to strengthen itself financially and thereby deliver more efficient and effective services to exporters.

Net results of operations* compared to business volume

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
1.1%	1.8%	0.9%	1.1% 1.8% (ex-LAV)

Net cost of operations is the total amount of expenditures incurred by the Corporation less revenues generated from non-taxpayer sources. As compared to business volume, this performance target measures the Corporation's productivity in generating exports for Canada at minimum cost. In 2000-2001, the Corporation was able to exceed its target based on greater business volumes and revenues from cost recovery and interest income, combined with a large foreign exchange gain and the capitalization of CCC's software renewal project expenditures. The Corporation anticipates a slight decline in this category due primarily to the anticipated reversal of the foreign exchange gain to a loss.

* Before parliamentary appropriations.

Additional contract costs as a percentage of business volumes

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
0.3%	0.2%	0.21%	0.2%

The Canadian Commercial Corporation's risk standard attempts to keep additional contract costs at less than 0.2 per cent of business volumes. This reflects the Board of Directors' approved risk tolerance level, excluding a special allocation of \$250,000 to enable CCC to take on some SME projects which would otherwise not fit within its risk parameters. The Corporation slightly exceeded target due to the requirement to take provisions against a few SME projects. Next year's target reflects the continued application of the Corporation's risk standards.

In order to ensure that additional risk capital provided by the shareholder would be properly employed, the Corporation developed a revised risk management model during 2000-2001 in consultation with B.F. Lorenzetti, a Montreal-based risk management consulting firm. This model will better enable the Corporation to participate in SME projects where the risk could not be completely eliminated, but reduced to a tolerable level and priced accordingly based on the government's capital infusion. The Corporation will implement this risk management framework if legislative amendments to its Act occur, enabling the Corporation to price risk in export transactions.

Provision for doubtful accounts when compared to accounts receivable from foreign countries

1999-2000 Result	2000-2001 Target	2000-2001 Result	2001-2002 Target
0.0%	1.0%	0.0%	1.0%

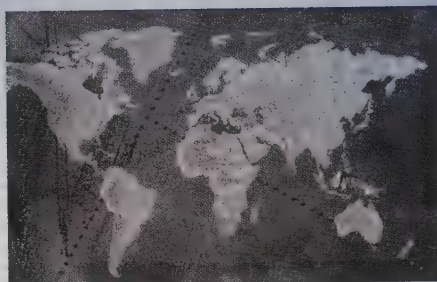
In order to facilitate exports, the Corporation sometimes takes trade accounts receivable risk on behalf of the exporter with credit approved foreign buyers, particularly, foreign government buyers. The target of 1.0 per cent for 2000-2001 is the Corporation's historic standard. The Corporation experienced another notable year in the successful collection of its accounts receivable from foreign buyers on behalf of Canadian exporters. There are two reasons for this success: application of its risk adverse customer credit guide and diligent collection efforts of CCC officers. Given its historical success with this performance indicator, the Corporation is reviewing its customer credit guide to embrace structured trade accounts receivable risk in non-traditional markets next year. The Corporation has set the same standard for next year.

Business Review

14

Global trade environment

Trends in the worldwide procurement market, trade growth and the increasing adoption of e-commerce across the globe suggest significant opportunities for Canadian exporters.



U.S. sales

A significant amount of the CCC's business volume comes from sales to the U.S. Although DPSA sales account for the majority of these sales, increases over last year were seen in sales to other U.S. governments and private-sector buyers. Unprecedented levels of U.S. sales were achieved in 2000-2001.



International markets

In 2000-2001, CCC set records in its international business. These sales consisted of a multi-year contract for light armoured vehicles (LAVs) sold to Australia, sales of other products, and exports supported through PPP.



Progress Payment Program (PPP)

The Progress Payment Program (PPP) is designed to assist small Canadian exporters (SMEs) that have insufficient working capital to undertake specific export contracts. Through PPP, the CCC facilitates access to commercial sources of pre-shipment financing.



Global Trade Environment

Trends in international procurement markets

The current slowdown being experienced in the U.S. economy is likely to affect Canadian exporters selling into private-sector markets both in the U.S. and abroad. It is less clear whether increased public spending will be used to stimulate these economies in the short term.

In any case, there is significant room for growth in Canada's share of the world procurement market. As globalization has liberalized trade, particularly in public-sector purchasing, Canadians have become more interested in specialized procurement markets. Along with CCC's traditional clientele in aerospace and defence, more Canadian companies are seeking assistance from CCC in new areas. Growing numbers of companies from Canada's environmental and advanced technology sectors and other knowledge-based areas are looking to CCC to help them gain a stronger competitive position.

A number of trends will encourage increasing numbers of Canadian firms to pursue procurement markets:

- **More open markets.** New markets are opening and old markets are improving through the evolution of rules-based trading, through the World Trade Organization and through initiatives such as the Free Trade Area of the Americas. Industrial development in Asia and Latin America, and the advent of new information and communications technologies, have rapidly intensified competition in the world's procurement markets.

- **Privatization.** Governments are commercializing many of their services, privatizing utilities, outsourcing basic requirements and turning to private-public partnerships for the development and operation of infrastructure projects. Privately owned contractors and utilities will become increasingly important sources of procurement.
- **Sales Integration.** International customers are looking for integrated solutions and turnkey packages. They are contracting to a single source or to a limited number of suppliers and systems integrators that subcontract for a full range of goods, covering the entire life of a project.
- **Cross-sectoral Markets.** Defence producers are now selling into commercial markets. Information technologies are key components of many strategic sectors. At the same time, capital projects are an important source of demand for environmental, transportation, and electrical power generating and distribution technologies.
- **Defence Procurement Opportunities.** Around the globe, defence procurement requirements and policies (particularly in the U.S.) are moving towards the use of commercial, off-the-shelf "dual-use" technology — military and civilian use of aircraft, vehicles and equipment. With the U.S. and its allies increasingly relying on joint, multinational coalition operations for peacekeeping, their defence capabilities need to be upgraded to enhance the level of interoperability among allied forces. The Canadian aerospace and defence industries are well placed to compete in this procurement environment, given their experience in serving both military and civilian markets, and the leading-edge nature of their products.

"Our clients tell us over and over again that CCC's staff truly values their business. Our trade expertise and good project management skills clearly helps Canadian exporters win more deals."

Hugh O'Donnell
Executive Vice-President
Business Development and
Operations



Market analysis

As part of the work conducted during the Stikeman Elliott Review, CCC commissioned Jayson Myers, Senior Vice-President and Chief Economist of the Canadian Manufacturers & Exporters (CME), to prepare an analysis of business opportunities and strategic markets. Titled "Business Opportunities & Strategic Market Assessment," the final report was presented in April 2000 and examined the role of the CCC and trends in global procurement markets and strategic market segments.

Last year, Ipsos-Reid surveyed 506 companies across Canada. They found that only 17 per cent of companies export to governments outside Canada. Of those, 59 per cent are dealing with the U.S. government. That means that less than 10 per cent of Canadian companies are doing business with governments abroad. Canada's exports outside the U.S. actually fell between 1995-2000, from \$65 billion to \$60 billion (Cdn). While the U.S. is CCC's biggest market, governments around the world purchase over \$5.3 trillion (U.S.) worth of goods and services every year. This accounts for 18 per cent of the world's total economic output, and eight times Canada's entire GDP. CCC needs to increase its efforts and assist a greater number of exporters to gain a greater share of the U.S. \$5.3-trillion worldwide government procurement market. We are committed to keeping pace with these changes in these markets, supplementing our expertise and enhancing our services to continue to be a valuable resource for Canada's exporters.

Electronic commerce

A recent study from Forrester Research Inc. indicates that global business-to-business e-commerce

will accelerate to \$6.4 trillion in 2004 and that global online export will expand to 18 per cent, or \$1.4 trillion, of total world exports in four years. The products most likely to be traded over the Internet tend to be highly standardized and can be easily compared across suppliers.

It is estimated that the volume of transactions will be the highest in Western Europe, but more than three-quarters of its exports will remain within the EU trading bloc. The NAFTA nations will export \$385 billion over the Internet in 2004 and Canada is expected to perform 29 per cent of its total export sales on-line at that time. The other major player will be in Asia-Pacific while transactions with Eastern Europe, South America, Africa and the Middle East are expected to be negligible.

In order to prepare itself to deliver services in a way that will meet exporter demand, the Corporation is upgrading its information technology infrastructure and participating in the federal government on-line program.

U.S. Sales

In 2000-2001, the Canadian Commercial Corporation set records in its U.S. business with a total of \$874 million, or 65 per cent of CCC's business volume. This was an increase of 3.5 per cent over last year.

In the United States, CCC's major activity is to provide a trade window for Canadian exporters, which permits Canadian companies to sell their products through CCC to the United States Department of Defense (DoD) and to the National Aeronautics and Space Administration (NASA).

Since 1956, CCC has facilitated sales into the U.S. Department of Defense (DoD) under terms of the Canada/U.S. Defence Production Sharing Agreement (DPSA) and the Defence Development Sharing Arrangement (DDSA), which facilitates research and development contracts sponsored by the two governments.

Under the DPSA, Canadian exporters have privileged access to one of the largest procurement markets in the world. All purchases from Canadian companies over U.S. \$100,000 are contracted exclusively through CCC. This mandated service is provided free of charge to Canadian exporters as part of a reciprocal agreement between the Canadian and U.S. governments.

The DPSA accounted for the majority (\$729 million) of business volume, an increase of 3 per cent over the levels achieved in the 1999-2000 fiscal year. Specifically:

- light armoured vehicle (LAV) sales generated a total of \$220 million in 2000-2001. These LAVs were sold through the U.S. Foreign Military Sales (FMS) Program to the Saudi Arabian National Guard (LAV-SANG).
- \$442 million in sales to DoD (exclusive of LAV) under the terms of the DPSA.
- \$67 million in sales to NASA.

Non-DPSA sales, \$145 million, a record 15.5 per cent of the business total in the U.S., was to U.S. buyers, including sales to state governments and private companies. Specifically:

- \$9 million was made up of sales to other agencies of the U.S. federal government and various state and municipal governments.
- \$136 million was comprised of sales to private-sector buyers.
- U.S. operations will continue to monitor and foster the established relationships with DoD buyers and will also pursue opportunities with other federal government agencies, in particular the State Department, the National Security Agency and the Coast Guard.

For the year, U.S. export sales through CCC's Progress Payment Program amounted to \$35 million.

In support of exporters to the U.S. federal government market, CCC operates an electronic "bid-matching" service, now in its sixth year of operation.

Established in 1996, the service is based on the electronic version of the U.S. Commerce Business Daily, which lists all U.S. federal government opportunities. After vetting and filtering to match needs to Canadian company capabilities, specific opportunities are sent out electronically, by fax, and posted on the CCC Web site. The site features a search mechanism, enabling exporters to key in on requirements directly related to their products. Once their profile is registered with the U.S. government through the CCC, the Corporation is able to match capabilities to requirements electronically or manually, often calling companies directly. The CCC U.S. Opportunities Web site received over 27,000 hits from interested companies in 2000-2001.

In 2000-2001, in excess of 900 firms received U.S. business opportunities with over 130 opportunities distributed each business day. Another 800 suppliers accessed CCC generated opportunities through the Canadian Government Opportunities MERX site. MERX is an electronic tendering service, owned by the Bank of Montreal, which connects over 50,000 businesses and government purchasers.

During the year, CCC staff participated with their government colleagues on various committees reviewing the Joint Strike Fighter Program (JSF), a next generation fighter aircraft of strategic importance to the Canadian aerospace sector. JSF is of significant interest to both Canada, the U.S. and European-allied countries. It is estimated that the program could be valued in the tens of billions of dollars over the next 20 years, providing significant export opportunities for Canada's aerospace industry.

International Sales (outside U.S.)

In 2000-2001, CCC set records in its international business. International sales, totaling \$464 million to 34 countries and the United Nations, represent a 57 per cent increase over the total registered in 1999-2000.

This has been another good year for International Business, which totaled \$464 million, including \$233 million in non U.S. LAV sales. This represents 35 per cent of CCC's total business volume and includes a wide range of industry sectors with successful sales in 33 countries outside the U.S.

International government sales accounted for the vast majority (\$418 million) of business volume. Specifically:

- a multi-year contract for LAVs sold to Australia amounted to \$233 million (56 per cent of international government sales).
- \$185 million was in sales to other international government entities (non-LAV).

Sales to international agencies and private-sector buyers totaled \$46 million (10 per cent of the total). Specifically:

- \$40 million was in sales to international private-sector buyers.
- \$6 million was in sales to international agencies.

CCC's international business covered a wide range of industrial sectors, including vehicle, rail, marine, environmental, electrical and industrial products, construction, food, livestock, fuel, medical, advanced technology, services and training aids. Among CCC's regular buyers, the UN agencies and IRDC-supported partners and clients continue to provide consistent and attractive markets for relatively inexperienced exporters.

Progress Payment Program

This year, Progress Payment Program (PPP) achieved its target business volume of \$60 million, resulting from 36 contracts. Exports to countries other than the U.S. represented 42.5 per cent of PPP projects. CCC's clients have led the Corporation into a diverse range of non-traditional markets — the

*CCC, proud sponsor of the
2000 Ontario Global Traders
Awards.*

Ontario Minister of Economic Development and Trade Bob Rundman (at left), with Eme Onuoha (right), Vice-President, Corporate Strategy, Canadian Commercial Corporation, presenting the 2000 Northern Region Honourable Mention Award for Innovation to Tim Eby (centre), President, Wabi Iron & Steel Corp.



Latin America

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During the last several years, CCC has made significant progress in the Latin American market. There is a strong indication that Canadian firms are interested in this market and can benefit from CCC's support. In addition, with the on-going discussions and emerging Free Trade Agreement of the Americas, CCC will be focusing on development opportunities throughout the region.

Current CCC initiatives include:

- developing a country program in Chile with partners who have demonstrated a preference for contracting on a government-to-government basis. This initiative will eventually include developing business in neighbouring countries such as Argentina, Uruguay and Peru;
- collaborating with DFAIT and EDC to build relationships with the new administration in Mexico;
- collaborating with EDC, DFAIT and Alberta Economic Development in entering into procurement arrangements with key Latin American countries involved in oil and gas and major infrastructure projects, including one in Venezuela.

export of hotel furniture, brine blending plants, air compressor systems and hockey sweaters to countries such as China, Puerto Rico, Malaysia, Russia and the UK. The variety of products and buyers is growing every day.

Operated in conjunction with financial institutions from Canada and abroad, the PPP helps smaller exporting companies gain access to pre-shipment export financing from commercial sources. The program, now in its sixth year of operation, is used when an exporter is unable to negotiate progress or advance payments from the buyer and, as a result, the sale cannot be financed within the exporter's existing domestic credit facility. It bridges the cash flow gap for companies by helping them secure pre-shipment export financing from one of the 19 participating financial institutions (FIs) through a project line of credit (PLOC) to cover production costs for a particular export sale.

The Corporation's export expertise and indemnification of the PLOC, combined with the lender's capital, security and account management skills and the exporter's ability to complete the sale, creates a winning combination.

With the high level of exports by smaller companies, the PPP has become one of CCC's most sought-after services.

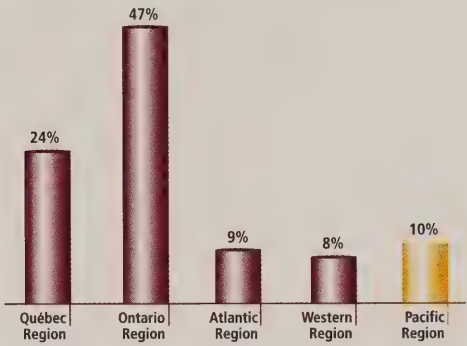
Success for Canada's Small Businesses

Small- and medium-sized enterprises (SMEs) with annual revenues of less than \$25 million continue to be very important for CCC and the Government of Canada. SMEs are major contributors to Canada's economic growth, particularly as more of these businesses take up the challenge of exporting. SMEs have given CCC very "high marks" as part of recent client satisfaction surveys. These companies appreciate CCC's customized services that help win export contracts. During fiscal 2000-2001, a total of 949 SMEs accessed CCC services and 136 successfully negotiated \$241 million in export sales by working with the Corporation.

SMEs significantly benefit from the U.S. Bid Matching Service, which generates a range of 200 to 400 U.S. federal government procurement opportunities each day.

CCC also helped 190 companies register with the U.S. government in order to be able to bid on export projects. Our hands-on and prime contracting services were particularly important to SMEs competing in markets in which they were less known and unfamiliar with regulations and processes.

CCC's Exporters
(by Geographic Region)



Hard Suits Inc., Vancouver, a manufacturer of sophisticated one-atmosphere deep-sea diving equipment.

Success Stories

CCC Helps Increase Certainty in the Mapping Business

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Optech

Optech Inc. is no novice in the exporting world — exports make up 80 to 90 per cent of its sales. The 27-year-old company specializes in the development of equipment for terrestrial, marine and, most recently, atmospheric survey using laser radar (lidar). Optech's customers are accustomed to the unknown. The largely commercial companies, located around the world, map land and underwater terrain. But when it comes to equipment and contracts, Optech's customers want certainty, and they're getting it.

Using the CCC's prime contracting services, the developer of laser-based ranging and detection systems is giving its customers a guarantee of contract performance — not to mention superior equipment. That assurance has meant recent repeat business with a Japanese trading house. In addition, the company is discovering that CCC can help it penetrate new markets. While continuing to explore the Japanese market, Optech has also begun discussions with prospective clients in other Asian countries.



"In our early discussions with potential clients, we make a point of describing CCC and its service of contract performance guarantee. We find it usually generates the appropriate benefit — the customer gets the security, and we get the contract."

Doug Houston,
Vice-President Operations, Optech Inc.
Toronto, Ontario

Optech

CPI

Effective communications are essential for strong partnerships. But for **CPI Canada Inc., Communications and Medical Products Division**, the opposite is also true: good partnerships are invaluable to its position as a leading world supplier of klystrons for satellite communications. The 300-employee company exports 98 per cent of its products, largely to the United States, Europe and Asia.

One of CPI Canada's most valuable and long-standing partners is the CCC, which has been working with the company for over 45 years to export its expertise, most recently to the U.S. Army's Communications and Electronics Command (CECOM). The company's repair contracts with CECOM — the latest valued at U.S.\$1.5 million for one year's worth of klystron requirements — were won on a competitive basis, with CCC acting as prime contractor. All CECOM contracts have included annual purchase options for up to five years, each of which CECOM has chosen to exercise.



CCC helps
CPI provide
out-of-this-world
technology to
overseas markets

"All of our exports to U.S. government agencies have been contracted through CCC. CCC vouches for Canadian industry and saves us a whole lot of hassle in having to deal with U.S. accounting procedures. We have no intention of changing this arrangement. It works well, and when something works well, you don't even think of making changes, except to make it even better."

**Klaus Beecker, CPI Canada Vice-President of Business Development
Georgetown, Ontario**

From Small Mart to Wal-Mart: Helping a Montreal Manufacturer Conquer a Giant North American Retailer

Artissimo Prints

Artissimo Prints Inc.'s laminated prints, mounted on wood boards and ready to hang, come in about 20 categories, each of which include some 40 images. The three-year-old Montreal company, which buys the rights to the artwork, exports about 90 per cent of its products, mainly to the United States but also to Mexico and other foreign markets. With major clients like Ames and Wal-Mart, Artissimo had tried unsuccessfully to obtain project financing. Then CCC entered the picture and Artissimo was able to win a large contract that it wouldn't have been able to handle on its own.

Artissimo's case was one of critical urgency. The company had orders to fill for the Christmas rush to many U.S. department stores. So, everyone involved — CCC and the bank — had to move quickly or risk losing sales valued at over U.S.\$750,000. Artissimo received a project line of credit (PLOC) through the Progress Payment Program (PPP) and met its obligations.



"The PPP has been running beautifully; there are no problems. I have no reins on me — if I get an order for \$5 million, I can handle it. To be able to go out and solicit customers, knowing that you have the resources behind you to handle it, is great."

Artissimo President Michael Chaimberg
Montreal, Quebec

IMP Group

If at first you don't succeed, try, try again. That's precisely what **IMP Group Limited, Aerospace Division (IMP Aerospace)** did after an unsuccessful 1994 bid on a U.S. Navy basic ordering agreement (BOA) for Standard Depot Level Maintenance (SDLM) for H-3 helicopters, in partnership with a well-known U.S. supplier. The Halifax-based company not only bid on the BOA when it came up for bid again in 1998, but opted to go it alone — through the CCC. The result? In April 2000, the company won the largest-ever U.S. military aircraft contract — worth U.S.\$50 million — awarded to a Canadian company and is well on its way to becoming a centre of excellence in its area of expertise.



CCC Helped IMP Develop
a Helicopter Maintenance
Centre of Excellence in
Atlantic Canada

“Our relationship with CCC has been excellent. CCC was very supportive during the bid phases. And the Corporation is very experienced; they’re always looking after our interests.”

**Derek Kinsman, Vice-President of
International Marketing for IMP Aerospace
Halifax, Nova Scotia**



Neptec Design Group

Ottawa-based **Neptec Design Group's** revolutionary Orbiter Space Vision System (SVS) acts as electronic eyes helping to guide astronauts attach payloads using the Canadarm on space shuttle missions and on the International Space Station.

The SVS "sees" and "reacts" to changing conditions in space to help astronauts position payloads swiftly and accurately. First tested on a 1998 space mission, United States astronaut Jim Newman made a number of recommendations designed to improve the accuracy and operability of the system, and to make the SVS more user-friendly.

After two years of refining the system, all of the wrinkles were ironed out, and SVS became the state-of-the-art system it was originally intended to be.

Smart Technology Aboard
the International Space
Station Made Possible
Through CCC



"The SVS is now more user-friendly, more robust, responsive and accurate. Since the initial test, the system has been used on four other missions with very successful results, and it will be an integral part of two upcoming missions. It now has a future."

**Jim Newman, NASA Astronaut,
Houston, Texas**



Digital Port Control

When Vancouver-based **Digital Port Control Inc. (DPC)** set out to sell its custom-designed port control system to the Caribbean Customs Law Enforcement Council (CCLEC), it had the unique challenge of convincing not just one foreign government, but several dozen. But thanks to the backing of the CCC, the 15-person company is installing its secure Internet-based data collection, processing, management and retrieval system into the Customs offices of 35 Caribbean countries.

DPC contacted CCC in May 1999, looking for extra backing from the Canadian government to alleviate the customer's hesitations. The company got it in spades. CCC gave the CCLEC the Canadian government's unique guarantee of contract performance. And it was a matter of only weeks before CCC, acting as prime contractor, and CCLEC had a signed contract (worth almost U.S.\$500,000, with terms agreed to by DPC). The company is now rolling out the first of 40 workstations at the Customs offices of the various ports.

"[CCC] gave us a very nice letter of introduction to take with us to the South Pacific, where we're pursuing a new project — and this was just a preliminary stage. Having a bullet-proof guarantee from the Canadian government puts us in a very strong position."

DPC President Bob Potter
Vancouver, British Columbia



Organization, Initiatives and Governance

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CCC President Douglas Patriquin (left) and the Minister for International Trade, The Honourable Pierre S. Pettigrew

Human Resources

CCC delivers its services through an organization of 90 employees based primarily in Ottawa. It is a highly-skilled, knowledge-based workforce with particular expertise in international contracting, finance and risk management, negotiation, and business development. Specialized contracting services are provided to CCC by Public Works and Government Services Canada (PWGSC), whereby approximately 45 full-time equivalent staff work on a negotiated cost basis. In addition, CCC partners with provincial individuals/organizations to enhance its regional business development capacity.

The Corporation values diversity and strives to meet the special needs of the exporting community while reflecting the Canadian mosaic in the workplace. Fifty-two per cent of CCC staff is female, with representation at all levels of the organization. The workforce is both bilingual (77 per cent) and representative of the external population with 42 per cent of employees indicating French as their first language and 58 per cent indicating English. Fully 20 per cent of staff speak an additional language that is neither English nor French — enhancing CCC's ability to serve in an international context. The employees bring an array of experience and education to the Corporation — for example, 70 per cent have completed post-secondary education and 35 per cent have come to CCC from the private sector.

Headquartered in Ottawa, CCC has regional offices in Halifax, Montreal, Toronto and Vancouver. In addition, the Corporation is represented through its partnerships with Ontario Exports Inc. in Toronto, the Saskatchewan Trade & Export Partnership Office in Regina and the Alberta Economic Development Office in Calgary.

As CCC's client base expands and Canadian exporters target specific international markets, the CCC staff is being challenged to keep up with changes in industry, technology, buyer expectations and market developments. The workplace environment must encourage organizational flexibility, promote performance excellence and support a more entrepreneurial approach to service delivery.

The Corporation has adopted human resources strategies that will respond effectively to these challenges:

- a made-in-CCC job evaluation plan has been developed with considerable input from staff, which recognizes the value of skills and abilities which are critical to CCC's success;
- artificial barriers between job families have been eliminated and appropriate internal career paths have been introduced to facilitate the development and assignment of staff to respond to emerging business demands;
- a revised compensation structure has been designed to assist the Corporation in ensuring market comparability with an identified blend of private/public sector organizations.

Negotiations with representatives of unionized staff will begin early in the summer to finalize this new approach.

CCC has entered a period of staff transition, with losses, through retirement and career changes, of some of its most experienced employees. In 2000-2001, the turnover rate of 15 per cent was considerably higher than the five-year average rate of 8 per cent. However, effective recruitment and development strategies had been implemented early in the year and the overall staff complement was maintained throughout the reporting period. In addition, a program was introduced to identify and train mid-level managers as team leaders, preparing them to take on senior management roles in the future.

As part of its realignment strategy, CCC will concentrate energy on attracting, developing and retaining professional staff with sectoral expertise in the areas of focus: aerospace and defense, environmental technology, transportation, information technology and consumer goods.

The CCC investment in human resources will serve to ensure that a dynamic team will be in place to respond to international business challenges.

Information Technology

CCC will continue to refine and extend its automated systems to provide the capability to integrate marketing and business development data with operational or transaction data. This integrated data approach will provide management with better information required to spot trends, assess results and make adjustments along the way to run CCC's

business from a proactive sales and marketing perspective, as well as continue to manage its current business more effectively from one data source.

At the same time, CCC is responding to the Government On-Line (GOL) agenda and, over the next few years, it must re-engineer its business processes, refresh its technology infrastructure and prepare its employees at all levels for the opportunities and challenges that Electronic Service Delivery (ESD) will bring.

To deal with these challenges, CCC launched a number of initiatives in 2000-2001.

- The Business Process Automation will find an IT solution that replaces the current complement of customized and off-the-shelf solutions and provides the facilities to implement e-Business processes in the future. The product selection process is almost complete and CCC expects to start the implementation phase in early June, with a switch-over in early 2002.
- In the spirit of GOL, CCC entered into a partnership with Industry Canada and a private firm to offer Canadian suppliers a common Web-based facility for registering and maintaining their profile in a central database (SourceCan). Resources were spent to develop, test and implement an interface with SourceCan, which will allow CCC to increase its population of potential suppliers from approximately 8,000 firms to 30,000. This will allow CCC to market its services to a broader range of companies which may benefit from its services; it will also be used as a model for other organizations that wish to connect with SourceCan in the future.
- An Information Management study was launched to determine which best practices could be put in place to improve the management of documents within CCC in view of capturing and classifying corporate history for future use.
- Improved automation to support the Progress Payment Program in an effort to reduce the manual workload and increase the accuracy of the data.

Environmental guidelines

Complex export projects involving the construction of heavy physical infrastructure can have a measurable impact on the geographic, social and cultural environment within which such projects are situated. It is therefore important to ensure that business practices and projects undertaken by Canadian exporters are environmentally sound.

In addition to measuring managerial, financial and technical risk, it is important to measure the potential impact a capital project may have from an environmental perspective, and also to identify ways to mitigate environmental vulnerabilities.

Although the Canadian Commercial Corporation did not undertake any major capital projects overseas in 2000-2001, the Corporation remains committed to established capital project guidelines. CCC voluntarily applies its environmental review framework (ERF) on all capital projects. Before CCC agrees to participate in a capital project, it must undergo an environmental assessment at the exporter's expense. CCC's approach to capital projects will continue to be cautious and conscientious.

CCC is also monitoring the environment discussions at the Organization for Economic Cooperation and Development (OECD), in addition to participating in federal inter-agency discussions related to the Export Development Corporation's approach to environmental assessment. These discussions will continue to guide future adjustments to CCC's ERF. Furthermore, the CCC will continue to work with the Canadian Environmental Assessment Agency to ensure the ERF remains effective.

Corporate social responsibility

Beyond traditional concern for economic well-being, there is growing interest amongst consumers, shareholders and governments with respect to the effect that business activity can have on genuine social prosperity, good governance and human rights. Corporate social responsibility speaks to the degree to which corporate business practices reflect ethical principles protecting the community, human rights and the environment.

The Department of Foreign Affairs and International Trade (DFAIT) has been chairing an ongoing process with Canadian business representatives on corporate social responsibility in the context of international trade transactions. The CCC continues to keep track of DFAIT's work in this area and will respond accordingly to relevant recommendations resulting from the process.

CCC reflects the Government of Canada's desire to encourage ethical business practices at home and abroad. In keeping with the *Corruption of Foreign Public Officials Act* (enacted by Parliament in 1999), CCC contracts now include a clause prohibiting the bribery and corruption of public officials in

Canada and abroad. Furthermore, CCC is in the process of developing a code of conduct for its staff and board members in consultation with other relevant federal departments and agencies.

In 2000-2001, CCC sponsored an award for corporate social, ethical and environmental performance. The award recognized NEXEN Inc., formerly Canadian Occidental Petroleum Ltd., for its corporate ethics and its efforts to systematically integrate local community stakeholders into its decision-making processes, while building appropriate community support systems into project design and implementation while working in a developing country.

Governance

"Corporate governance refers to the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively." (Report of the Auditor General of Canada to the House of Commons, December 2000, page 18-5)

Unlike private corporations, Crown Corporations such as CCC are established to achieve certain public policy purposes, while operating in a commercial environment.

In his December 2000 report, the Auditor General "found a need for special attention in three areas that are central to the way Crown Corporations are governed." These included strengthening boards of directors, improving the effectiveness of audit committees, and more vigorous review of Crown Corporations' plans, as well as a regular review of their mandates.

While the Board agrees with the focus of the Auditor General's comments on the regime as a whole, it feels that recent developments in CCC's governance practices are positive and noteworthy in the light of these observations.

Strengthening the Board

During the year, four new members were appointed to the Board, three to replace existing members and one to increase the size of the Board from six to seven. Criteria for new nominees were developed by the chair in consultation with members, and included export experience, sectoral knowledge, regional and gender balance, and a personal skills profile. These criteria were based on models drawn from other Crown Corporations and on the Corporation's specific needs in relation to its business challenges and strategies.

The chair worked closely with the office of the Minister responsible for CCC (the Minister for International Trade, the Honourable Pierre S. Pettigrew) to identify a "long list" of potential candidates, from which new members were ultimately selected and appointed by Order in Council. The Conference Board provided an orientation and training session for members in October 2000, and the chair and secretary participate regularly in the Conference Board's forum on public enterprise governance.

The Board remains a small group, with much of its business done in plenary sessions rather than in standing committees. Under the CCC Act, the President is required to act both as CEO and board chair. The government has expressed its intention to introduce legislation to separate these two roles.

In the meantime, the Board has developed a technique based on parliamentary practice to adapt the "lead director" concept, employed increasingly in the private sector when the chair and CEO are the same person, to give the Board enhanced independence in its interactions with management. To conduct its regular business, the Board resolves into a Committee of the Whole, under the chairmanship of a Board member, and then returns to the full Board status to report its results at the conclusion of its meetings.

In 2000-2001, the Board established a compensation subcommittee to review the CEO's performance and recommend compensation adjustments to the Minister, related to performance and to the recommendations of the government's "Advisory Committee on Senior Level Retention and Compensation" on CEO salary scales in Crown Corporations.

An effective audit function

CCC's Audit Committee is the principal Board forum for discussion of financial and risk management. It consists of three outside directors, all of whom are experienced financial analysts or well versed in financial management.

The Audit Committee reviewed in detail and approved the Audit Plan proposed by the Corporation's external auditors (the Office of the Auditor General) for their examination of the financial statements for the year. The Committee examined CCC's financial statements and the status of active contracts in each quarter and at the end of the year. It approved contracting the services of an internal auditor by the Corporation, and

agreed with management on a systematic multi-year program of audits, the results of which are to be brought to the attention of the Committee.

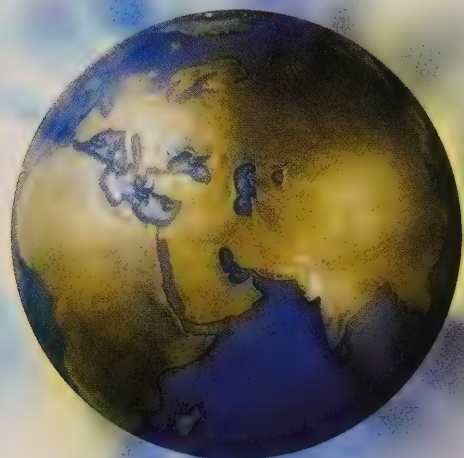
The Audit Committee worked with management throughout the year to develop a risk management framework for countries in which CCC has a concentration of business, in light of the Corporation's intention to take a more proactive approach to building a larger portfolio of business in certain countries. In developing the framework, the Committee struggled with the trade-off between maximizing the Corporation's impact on trade (its fundamental public policy mandate) and the size of its capital resources, which limits the extent of business risk the Corporation's balance sheet can afford to take.

Mandate review

In 2000-2001, the Board was intimately involved in examining and proposing a long-term direction for the Corporation to the shareholder.

Following the appointment of a full-time president in 1999, the Board authorized a series of external studies and consultations to review CCC's role and mandate and identify implementation requirements. These studies, conducted by Stikeman Elliott and other consultants, were summarized in last year's Annual Report of the Corporation. Together with management's responses, they were presented to the Board in 2000-2001.

The Board and Audit Committee met a total of 12 times during the year. Expenses, including annual retainers, honoraria at rates approved by the government, as well as travel and meeting costs, are estimated at \$30,000. In October 2000, the Privy Council Office authorized new honoraria based on the recommendations of its Advisory Committee, which are yet to be implemented.



Financial Management Discussion and Analysis

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General

CCC is a complex organization to manage financially as it is funded through three important but distinct streams of monies:

- appropriations, which are discussed with government officials, recommended and approved by CCC's Board of Directors and Minister, subsequently approved by the Treasury Board, and ultimately voted by the Parliament of Canada;
- interest income generated by CCC's treasury operations, based on the daily investment of the Corporation's surplus cash, if available;
- cost recovery and term discount revenues generated by service offerings to exporters.

These funding sources enable the Corporation to pay for its administrative expenses — salaries, travel, telecommunications, computer systems and rent. It also funds losses on export contracts, which are labelled for financial statement purposes "additional contract costs." The Corporation procures the services of Public Works and Government Services Canada in the performance of its export contracts, where required. Finally, the Corporation incurs legal expenditures to remedy contracts and claims in dispute.

Balance sheet

Because it is an international trade intermediary, results in certain aspects of the Corporation's

balance sheet and income statement are unique. For example, accounts receivable from foreign customers and progress payments to Canadian exporters on the assets side of the balance sheet are almost completely offset by accounts payable and accrued liabilities to Canadian exporters, and progress payments from foreign customers. This is due to the fact that as an export sales agency, when CCC issues an invoice to a foreign buyer, upon the delivery of goods or services, the Corporation is also in receipt of an equivalent invoice from the Canadian exporter that produced and delivered the goods. This translates onto the income statement as CCC revenues from export contracts labeled as "contract billings" completely matched by an equivalent amount of CCC cost of goods sold from export contracts labeled as "cost of contract billings."

The Corporation's cash balance is another example of the distinctiveness of the Corporation acting as a trade facilitator. With approximately \$1 billion of export contract monies flowing through the Corporation during the year, not all contract monies received from the foreign buyer are remitted right away to the Canadian exporter. To maintain the Corporation's fiduciary responsibilities under the contract to the foreign buyer, the Corporation, depending upon its due diligence, will retain contract payments as performance security, to be released upon the exercise of contract-related achievements by the Canadian exporter. There are also situations whereby the foreign buyer will choose to issue payments to the Corporation in advance of receipt of goods or services or certain milestones being achieved (called advanced payments), relying on the Corporation to invest these monies on behalf of

the foreign buyer. In 2000-2001, the Corporation recorded a cash and investment balance of approximately \$162 million; however, \$146 million belongs to either the foreign buyer or the Canadian exporter. Consequently, the Corporation's cash and investment position is not reflective of the Corporation's own financial position.

The result of the above is that the asset and liability picture of the Corporation can change dramatically from one year to another based on the size of the export contract portfolio, and the terms and conditions of each export contract within its portfolio. A comparison of the Corporation's total assets from last year (\$356 million) to this year (\$573 million) demonstrates this point.

Future direction

Given the Government of Canada's financial management agenda, it will be increasingly important for the Corporation to generate incremental revenue from non-parliamentary sources in the future and to manage its expenditures accordingly. The Corporation believes that revenues from service offerings can be increased through the execution of a more proactive business strategy and the delivery of services that would validate a fee-based rather than cost recovery approach to charging. As the Corporation attempts to execute this long-term financial strategy, it will seek the assistance of its shareholder to implement required legislative changes, inject additional risk capital, and stabilize long-term operational funding to support this objective.

Five-Year Historical Review

for the year ended March 31 (in thousands of dollars)

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REVENUES	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2000-2001 Op. Budget
Contract billings	904,637	953,253	788,709	897,726	989,216	1,192,833
Cost recovery	1,208	1,818	1,747	3,183	3,890	2,560
Interest and other income	1,183	1,191	1,880	2,812	3,908	1,570
Foreign exchange gain (loss)	516	495	1,040	(728)	1,855	(250)
Parliamentary appropriations	10,941	10,738	10,443	12,548	13,869	13,761
Expenses	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2000-2001 Op. Budget
Cost of contract billings	904,637	953,253	788,709	897,726	989,216	1,192,833
Additional contract costs	254	261	1,057	3,345	2,876	1,000
Administrative expenses:						
Services provided by Public Works and Government Services Canada	3,108	3,701	3,083	3,700	4,155	3,950
Other administrative expenses	9,468	9,587	10,027	10,363	14,553	12,741
Legal fees and disbursements	390	428	293	216	155	700
Net results of operations	628	265	650	191	1,783	(750)

Five-Year Historical Review

for the year ended March 31

FINANCIAL PERFORMANCE INDICATORS	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2000-2001 Target
Additional contract costs as a % of business volumes	0.1	0.1	0.1	0.3	0.2	0.2
Provision for doubtful accounts as a % of accounts receivable	0.9	0.0	0.0	0.0	0.0	1.0
Time required to make payment to exporters						
Regular payments	*26 days	*23 days	31 days	31 days	32 days	30 days
Accelerated Payment Program	—	—	17 days	16 days	16 days	15 days
Net results of operations as a % of business volumes	1.2	1.0	1.3	1.1	0.9	1.8
BUSINESS PERFORMANCE INDICATORS	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2000-2001 Target
Clients served	1,310	1,759	1,883	1,810	1,795	2,100
Companies signing contracts through CCC	288	275	276	280	273	310
Business volumes	\$0.859 b	\$1.020 b	\$0.748 b	\$1.113 b	\$1.338 b	\$1.2-1.4 b

For years 1996-1997 and 1997-1998 the results were based on a weighted average of the regular payments and accelerated payment program.

Over the past five years, the Corporation has been very successful in managing within its allotted parliamentary funding levels and other revenue streams, posting surpluses every year. This success has been based on the implementation and increasing client acceptance of CCC’s cost recovery policy, the prudent risk management of its export contract portfolio, the acknowledgement and contribution by the shareholder of appropriations to maintain basic operations, and finally the diligent commitment of administrative expenditures against budget.

Financial Statements

2000-2001

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

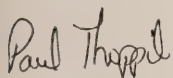
In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing her report thereon.



Douglas Patriquin
President



Paul J. Thoppil, CA
Chief Financial Officer

Ottawa, Canada
June 15, 2001

AUDITOR'S REPORT

To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2001 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 15, 2001

BALANCE SHEET

as at March 31 (in thousands of dollars)

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ASSETS	2001	2000
Cash and short-term deposits (Note 3)	\$ 46,782	\$ 45,229
Segregated investments (Note 4)	115,504	5,577
Accounts receivable (Note 5)	230,760	188,379
Advances to Canadian exporters	54,645	41,940
Progress payments to Canadian exporters	124,762	75,295
	572,453	356,420
Capital assets	1,024	0
	\$ 573,477	\$ 356,420
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 233,081	\$ 189,941
Advances from foreign customers	180,465	58,398
Progress payments from foreign customers	124,721	75,840
Provision for additional contract costs (Note 7)	4,076	2,819
	542,343	326,998
Employee termination benefits	993	1,064
	543,336	328,062
Contingencies (Note 8)		
EQUITY OF CANADA		
Repayable working capital appropriation (Notes 1 and 9)	5,000	5,000
Contributed surplus (Note 1)	15,000	15,000
Retained earnings	10,141	8,358
	25,141	23,358
	30,141	28,358
	\$ 573,477	\$ 356,420

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

Doug Patriziu

President

Om IS

Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended March 31 (in thousands of dollars)

REVENUES	2001	2000
Contract billings (Note 10)	\$ 989,216	\$ 897,726
Interest and other income	3,908	2,812
Cost recovery	3,890	3,183
Gain (loss) on foreign exchange	1,855	(728)
	998,869	902,993
EXPENSES		
Cost of contract billings	989,216	897,726
Additional contract costs	2,876	3,345
Administrative expenses	18,863	14,279
	1,010,955	915,350
Net results of operations before parliamentary appropriation	(12,086)	(12,357)
Parliamentary appropriation (Note 9)	13,869	12,548
Net results of operations	1,783	191
Retained earnings at beginning of year	8,358	8,167
Retained earnings at end of year	\$ 10,141	\$ 8,358

The accompanying notes are an integral part of the financial statements.

CASH FLOW STATEMENT

as at March 31 (in thousands of dollars)

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CASH FLOWS FROM OPERATING ACTIVITIES	2001	2000
Receipts from foreign customers	\$1,119,027	\$ 911,846
Interest received	3,415	1,667
Cost recovery and other income received	4,383	4,328
Payments to Canadian exporters	(1,012,391)	(920,611)
Administrative payments	(18,677)	(15,014)
Cash provided by operating activities	\$ 95,757	\$ (17,784)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases	\$ (121,186)	\$ (13,259)
Redemptions	\$ 11,258	\$ 8,090
Cash used in investing activities	\$ (109,928)	\$ (5,169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Parliamentary appropriation-operating	\$ 13,869	\$ 12,548
Parliamentary appropriation-repayable working capital appropriation	0	5,000
Cash provided by financing activities	\$ 13,869	\$ 17,548
Effect of exchange rate changes on cash and short-term deposits	1,855	(728)
Increase (decrease) in cash and short-term deposits	1,553	(6,133)
Cash and short-term deposits at beginning of year	45,229	51,362
Cash and short-term deposits at end of year	\$ 46,782	\$ 45,229

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

1. NATURE, ORGANIZATION AND FUNDING

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown Corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign customers which include governments, international organizations and other buyers. Corresponding supply contracts are entered into with Canadian exporters by the Corporation.

The Government has provided the Corporation with \$15 million as contributed surplus and a \$5 million repayable working capital appropriation. The Corporation also has authority to draw loans from the Consolidated Revenue Fund, subject to Minister of Finance approval, in amounts up to a total of \$10 million as required to supplement its working capital. Annually, the Corporation's operations are primarily funded through parliamentary appropriations.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its contract billings, and related costs, when a delivery has taken place thus passing title to the foreign customer, or, in the case of progress payments, upon acceptance of progress billings from Canadian exporters for work performed.

Progress payments represent payments from foreign customers and to Canadian exporters on contracts where the partial recoupment of costs (usually up to 75 per cent), associated with the work performed on a contract leading up to delivery, is allowed. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and to Canadian exporters represent a down payment made at the outset of the contract, before any work has been performed.

Additional contract costs incurred primarily as a result of Canadian exporters failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

The Corporation recovers its costs on a number of its contracts, mainly international sales. Its ability to recover costs is governed by the *Canadian Commercial Corporation Act* and international agreements. Amounts are recognized as earned.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Contracts with foreign customers and corresponding contracts with Canadian exporters are

generally entered into in the same currency. The Corporation uses this and other techniques in order to effectively transfer currency risk to the Canadian exporter.

Working capital is maintained in currencies other than Canadian dollars to facilitate cash flows between foreign customers and Canadian exporters.

(c) Capital Assets

Capital assets, primarily costs associated with the design and development of information systems, are recorded, when significant, after technological feasibility is established. It is expected amortization will commence in fiscal year 2002-2003.

(d) Parliamentary appropriations

Parliamentary appropriations for annual operating costs are recorded in the Statement of Operations and Retained Earnings in the year for which they are approved.

(e) Pension Plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are 2.14 times the employees' contributions on account of current service (2000 — equal to employees' contribution). These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(f) Employee Future Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as

provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. CASH AND SHORT-TERM DEPOSITS

As at March 31, 2001, cash and short-term deposits include:

Year ended March 31

	2001		2000	
	(in thousands)			
	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
Canadian dollars	\$23,669	\$23,669	\$29,221	\$29,221
U.S. dollars	6,848	10,802	10,437	15,129
Australian dollars	15,076	11,612	791	697
German deutsche mark	396	281	14	11
British pound sterling	187	418	74	171
		\$46,782		\$45,229

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2001, the average term to maturity of short-term deposits was 3 days (2000 — 3 days). The overall portfolio yield at March 31, 2001, was 5.25 per cent (2000 — 5.69 per cent). Cash and short-term deposits are recorded at cost which approximates market value.

Of the cash and short-term deposits, \$30,066,000 (2000 — \$25,639,000) represents funds received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. SEGREGATED INVESTMENTS

The Corporation holds significant advances from foreign customers or Canadian exporters which, upon demand of one of the contractual parties, are segregated and invested separately from the Corporation’s cash and short-term deposits. In these instances, interest earned is credited to the benefit of the respective foreign customer or Canadian exporter.

Segregated investments are short-term deposits in Canadian Schedule A or B banks and are made up of the following:

Year ended March 31

	2001			2000		
	(in thousands)					
	Canadian Dollars	Days to Maturity	Yield	Canadian Dollars	Days to Maturity	Yield
Investment A	\$ —	—	—	\$ 357	91	3.50%
Investment B	5,682	30	5.18%	5,220	122	6.15%
Investment C	109,822	96	4.50%	—	—	—
	\$115,504			\$5,577		

5. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except those due to qualified small- and medium-sized exporters which are paid within 15 days.

6. CONTRACTUAL OBLIGATIONS

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2001, the total contract value remaining to be fulfilled approximates \$2.2 billion (2000 — \$1.7 billion).

Under the Progress Payment Program the Corporation also indemnifies participating banks for amounts they have advanced to Canadian exporters. The Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2001, is \$8,245,000 (2000 — \$9,331,000).

7. PROVISION FOR ADDITIONAL CONTRACT COSTS

The Corporation may incur additional contract costs should Canadian exporters not fulfil the terms of their contracts. The Corporation has recorded a provision of \$4,076,000 as of March 31, 2001 (2000 — \$2,819,000), representing management’s best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

8. CONTINGENCIES

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

Amounts, if any, payable on claims by the Corporation will be recorded in the year in which they can be determined.

9. PARLIAMENTARY APPROPRIATIONS

During the year, the Corporation received appropriations from the Government of Canada in the amount of \$13,869,000 (2000 — \$17,548,000). A portion of the amount received in the year, \$2,900,000, to fund current operating costs was considered by Treasury Board to be an advance

recoverable with interest (\$258,000 reflecting an interest rate of 5.94 per cent) through a reduction in the Corporation’s 2002-2003 appropriation. The Corporation intends to vigorously seek additional operating funds to offset this amount.

The \$5,000,000 recognized in the prior year as a repayable working capital appropriation is scheduled to be returned to the Consolidated Revenue Fund effective April 1, 2002.

10. CONTRACT BILLINGS

Contract billings arising from the Corporation’s facilitations of sales of Canadian goods to foreign customers, which include governments, international agencies and other buyers throughout the world, were distributed as follows:

Year ended March 31

	2001	2000
	(in thousands)	
U.S. Government and Other Buyers	\$ 749,642	\$ 645,670
Other Foreign Governments and Buyers	216,755	222,380
United Nations Agencies	22,819	29,676
	\$ 989,216	\$ 897,726

Contract billings are distinct from Corporate business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2001, amounted to \$1.3 billion (2000 — \$1.1 billion).

11. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown Corporations.

The Corporation enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Generally, Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost.

For the year ended March 31, 2001, the cost of these services amounted to \$4,155,000 (2000 — \$3,700,000) and are included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is not practicable to determine the cost of these services. Accordingly, the value of these services is not recorded in the Corporation’s accounts.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2001, the cost of legal fees and expenses for specific actions amounted to \$410,000 (2000 — \$434,000) and are included in administrative expenses.

As a result of all related party transactions, the amounts due from and to these parties are \$495,000 (2000 — \$506,000) and \$147,000 (2000 — \$574,000) and are included in accounts receivable and accounts payable respectively.

12. INSURANCE

The Corporation carries default insurance that covers it against additional contract costs in excess of \$4 million per annum, with a maximum coverage of \$50 million.

In addition, the Corporation carries specific insurance relating to fraud, computer hardware and software, office furniture and fixtures, and travel accident and medical.

13. LEASE COMMITMENTS

Future minimum payments by fiscal year on operating leases for premises are as follows:

2001-2002	\$ 916,000
2002-2003	918,000
2003-2004	898,000
2004-2005	787,000
2005-2006	395,000
<hr/>	
	\$3,914,000
<hr/>	

14. COMPARATIVE FIGURES

Certain 1999-2000 figures have been reclassified to conform with the current year presentation.

LISTING OF COUNTRIES

THAT CONCLUDED
CONTRACTS FOR FISCAL
2000-2001

48

Australia
Austria
Bahamas
China, People's Republic
Cuba
Denmark
Dominica
France
Germany
(Federal Republic of Germany)
Hong Kong, Territory of
Iceland
Israel
Italy
Japan
Kuwait
Luxembourg
Malaysia
Netherlands
Peru
Philippines
Puerto Rico
Russia
Saint Lucia
Singapore
South Africa
Sweden
Tanzania, United Republic of
Trinidad and Tobago
United Kingdom
United States of America
Uruguay

Total Number of Countries : 31

CONTRACTED CUSTOMER

AGENCIES

BY COUNTRY FOR FISCAL
2000-2001

Australia

Commonwealth of Australia
Department of Defence
Director, Weapons and Vehicle
Procurement
St. Mary's Cathedral

Austria

Republik Osterreich

Bahamas

Ministry of Public Works

China, People's Republic

Tibet Autonomous Region Posts &
Telecommunication
Angang Group International Trade
Corporation
Tianjin Global Magnetic Card Co. Ltd.

Cuba

Azuimport
Abatur S.A.
Comercializadora ITH, S.A.
Empresa Contruimport
Empresa Ferrimport
Empresa Tractoimport
Emsuna
Provedora General
Del Transporte

Denmark

Danish Army Materiel Command

Domenica

The Domenica Water and Sewerage
Company Limited

France

Sofratest

Germany

Federal Republic of Germany
Bundesamt für Wehrtechnik

Hong Kong, Territory of

Ace Fur Manufacturing Limited
DMC Gas Engineering Limited

Iceland

Icelandic Red Cross

Israel

Maccabi Medical Healthcare Services

Italy

Italian Air Force
Ministero della Difesa Italiana
Japan
MCC Corporation
Kawasaki Heavy Industries
Itochu Aviation Co. Ltd.

Kuwait

Kuwait Ministry of Defense

Luxembourg

Nato Maintenance and Supply
Agency (NAMSA)

Malaysia

Aldwich Enviro-Management Sdn Bhd
Projass Engineering Sdn Bhd

Netherlands

Ministry of Defence
Windward Island Airways International N.V.

North Atlantic Treaty Organisation (NATO)

NATO Maintenance and Supply Agency

Peru

Servicios Industriales de la Marina

Philippines

Department of Transportation and
Communications

Puerto Rico

Puerto Rico Electric Power Authority

Russia

Tyumen Oil Company

Saint Lucia

St. Lucia Solid Waste Management
Authority

Singapore

Singapore Technologies Kinetics Ltd.

South Africa

South African Police Service

Sweden

Häggblunds Vehicle AB

Tanzania, United Republic of

Ministry of Water

Trinidad and Tobago

Permanent Secretary

United Kingdom

Aberdeenshire Council
DLO Defence Clothing and Textiles
Ministry of Defence
The Environmental Agency
British Aerospace (Operations) Limited
Pratt & Whitney Canada (UK) Limited
Rolls-Royce Derby
Vickers Defence Systems

United Nations

U.N. Office for Projects Services (UNOPS)
U.N. Procurement Division (UNPD)
World Food Programme

United States of America
Federal Government

U.S. Air Force
U.S. Army
U.S. Marine Corps
U.S. Navy
99th Regional Support Command
Aberdeen Proving Ground Support Activity
American Electric Power
Anniston Army Depot
Armament R&D Command Chemicals
Ballistics
Arnold Engineering Development Center
Camaco, LLC Columbus Manufacturing
Defense Industrial Supply Center
Defense Logistics Agency
Defense Personal Supply Center
Defense Supply Center
Colombus
Defense Supply Center
Philadelphia
Defense Supply Center
Richmond
Defense Supply Service
Department of Agriculture
Department of Veterans Affairs
Electronic Systems Center
Fleet & Industrial Supply Center (FISC)
Fort Belvoir
National Aeronautics and Space

Administration (NASA)
National Imagery and Mapping Agency
Naval Air Development Center
Naval Air Engineering Center
Naval Air Systems Command
Naval Air Warfare Center
Naval Electronic Systems Command
Naval Inventory Control Point
Naval Research Laboratory
Naval Sea Systems Command
Naval Surface Warfare Center
Navy Ships Parts Control Center
Office of Naval Research
Ogden Air Logistics Center
Oklahoma City Air Logistics Center
Red River Army Depot
Roverton L.L.C.
Sacramento Air Logistics Center
San Antonio Air Logistics Center
Space and Naval Welfare Systems
Tobyhanna Army Depot
U.S. Army Aviation and Missile Command
U.S. Army Aviation and Troop Command
U.S. Army Armament and Chemical
Acquisition
U.S. Army Communications & Electronics
Command
U.S. Army Communications R&D
Command
U.S. Army Corps of Engineers
U.S. Army Industrial Operations Command
U.S. Army Medical Research Acquisition
Activity
U.S. Army Tank-Automotive and
Armaments Command
U.S. Army Topographic Engineering Center
U.S. Property & Fiscal Office
U.S. Special Operations Command
Warner Robins Air Logistics Center
White Sands Missile Range
Wright Laboratory

Other Governments

City of Knoxville
City of Pigeon Forge
Denver International Airport

Missouri Highway and Transportation
Department

Private sector /other

Bacardi-Martini U.S.A. Inc.
Beltrone Construction Co. Inc.
Bethany United Methodist Church
Bloom Electric Supply
Boeing Aerospace Operations Inc.
Boeing Company-Shared Services Group
DDH Aviation, Inc.
Dunn-Malco
EDO Corporation
Ebbets Field Flannels
Expack Seafood Inc.
First Presbyterian Church
George W. Truett Seminary
Gordon & Ferguson of Delaware, Inc.
H.R.H Construction Corporation
Harmon Ltd.
Hercules Construction & Development Inc.
Hi-Speed Checkweigher Co. Inc.
Items International Inc./Airwalks
John J. McMullen Associates Inc.
Kampi Components Co. Inc.
Litton Procurement PRC
Lockheed Martin
Lutheran Church of the Redeemer
MACH III
PDBVSA Services Inc.
Pacific Aerodyne
Primex Technologies Inc.
R.W. Granger & Sons Inc.
St. Andrew United Methodist Church
St. James Episcopal Church
Sunera Inc.
Swinerton & Walberg Co.
TNT Logistics North America
Turner Construction Company
The Church of the Ascension and Saint
Agnes
The Episcopal Church of the Ascension
Transdyn Controls, Inc.
Willard Marine, Inc.

Uruguay

Administracion Nacional de
Telecomunicaciones

CONTRACTS

OR AMENDMENTS IN FISCAL
2000-2001

50

3M Canada Company
Brockville (ONTARIO)**49th Apparel**
Winnipeg (MANITOBA)**A S R Technologies Inc.**
Ottawa (ONTARIO)**Aar-Kel Moulds Ltd.**
Wallaceburg (ONTARIO)**ABACA Garment Maker Ltd.**
Vancouver (BRITISH COLUMBIA)**ABB BOMEN Inc.**
Québec (QUEBEC)**Accucaps Industries**
Windsor (ONTARIO)**Acro Aerospace Inc.**
Richmond (BRITISH COLUMBIA)**ActiveSystems Inc.**
Ottawa (ONTARIO)**Acton International Inc.**
Acton Vale (QUEBEC)**Adlair Aviation Ltd. 1983**
Yellowknife
(NORTHWEST TERRITORIES)**ADM Agri Industries Ltd.**
Windsor (ONTARIO)**AgriCore East Special Crops**
Carman (MANITOBA)**Air Canada**
Winnipeg (MANITOBA)**Air Labrador**
Goose Bay Labrador
(NEWFOUNDLAND &
LABRADOR)**Aircraft Appliances and
Equipment Ltd.**
Bramalea (ONTARIO)**Air-Sea Exchange Analysis
Services (ASEAS) Co.**
Brookside (NOVA SCOTIA)**Aklak Air Inc.**
Inuvik
(NORTHWEST TERRITORIES)**AMS Aviation Maintenance &
Support Corporation**
Winnipeg (MANITOBA)**Anachemia Canada Inc.**
St-Pierre (QUEBEC)**Anotec (Hansa - Sealand Limited)**
Moncton (NEW BRUNSWICK)**Artissimo Prints Inc.**
Lasalle (QUEBEC)**Arvin Ride Control Products Inc.**
Toronto (ONTARIO)**Atlantis Systems
International Inc.**
Brampton (ONTARIO)**Austin Insulators Inc.**
Mississauga (ONTARIO)**Automatic Coating Ltd.**
Toronto (ONTARIO)**Axton Manufacturing Ltd.**
Delta (BRITISH COLUMBIA)**B G Technology Inc.**
Downsview (BRITISH COLUMBIA)**Banner Pharmcaps Ltd.**
Olds (ALBERTA)**Barer Engineering Co.**
Montréal (QUEBEC)**Beavers Dental Division**
Morrisburg (ONTARIO)**Bell Helicopter Textron**
Mirabel (QUEBEC)**Bexcan**
Montréal (QUEBEC)**Bioniche Pharma Inc.**
London (ONTARIO)**BlueStar Advance
Technology Corp.**
North Vancouver (BRITISH
COLUMBIA)**Bombardier Inc.**
Kingston (ONTARIO)**Bovar Inc.**
Calgary (ALBERTA)**Bradley Air Services Limited**
Carp (ONTARIO)**Bragwear International Inc.**
Montréal (QUEBEC)**Bristol Aerospace Limited**
Winnipeg (MANITOBA)**Burden's Services Ltd.**
Goose Bay (NEWFOUNDLAND
& LABRADOR)**C.Y.M.C. Inc.**
Milton (ONTARIO)**CAE Inc.**
Saint Laurent (QUEBEC)**Cametoid Ltd.**
Whitby (ONTARIO)**Canada Allied Diesel Co. Ltd.**
Lachine (QUEBEC)**Canada Cordage Inc.**
Kitchener (ONTARIO)**Canadian Helicopters Limited**
Edmonton (ALBERTA)**Canadian Helicopters Ltd. East**
Les Cedres (QUEBEC)**Canadian Technology Human
Resources Board**
Ottawa (ONTARIO)**CanAmera Foods**
Oakville (ONTARIO)**Cara Operations Limited**
Mississauga (ONTARIO)**Carleton Life Support
Technologies Ltd.**
Mississauga (ONTARIO)**CEL Aerospace Test
Equipment Ltd.**
Longueuil (QUEBEC)**Cercast Incorporated**
Laval (QUEBEC)**CGI**
Montréal (QUEBEC)**Champlain Graphics**
Pickering (ONTARIO)**Chemac Industries Inc.**
Vernon (BRITISH COLUMBIA)**Chianti Food Processors Inc.**
Toronto (ONTARIO)**CMC Electronics Inc.**
Kanata (ONTARIO)**CMC Electronics Inc.**
Ville Saint-Laurent (QUEBEC)**CMC Electronics Military
Communications Inc.**
Ville Saint-Laurent (QUEBEC)**Communications & Power
Industries Canada Inc.**
Georgetown (ONTARIO)**Computing Devices Canada Ltd.**
Calgary (ALBERTA)**Computing Devices Canada Ltd.**
Ottawa (ONTARIO)**DAC Aviation International Ltd.**
Montréal (QUEBEC)**Davanac Inc.**
Lachine (QUEBEC)**Defence Research
Establishment Suffield**
Ralston (ALBERTA)**Delhi-Solac Inc.**
Delhi (ONTARIO)**Department of National Defence,
DDSAL**
Hull (QUEBEC)**Department of Natural Resources**
Ottawa (ONTARIO)**Dependable Turbines Ltd**
Port Moody
(BRITISH COLUMBIA)**Derlan Aerospace Canada Ltd.**
Milton (ONTARIO)**DGB Développement
International Inc.**
Montréal (QUEBEC)**Donlee Precision**
Toronto (ONTARIO)**Dorothea Knitting Mills Ltd.**
Toronto (ONTARIO)**DPS Railway Equipment Inc.**
Montréal (QUEBEC)**DRS Flight Safety &
Communications**
Montréal (QUEBEC)**DRS Flight Safety &
Communications**
Carleton Place (ONTARIO)**Dupon Trolley Industries**
Québec (QUEBEC)**DY 4 Systems Inc.**
Kanata (ONTARIO)**Eagle-Picher Energy Products
Corporation**
Surrey (BRITISH COLUMBIA)**EIS Electronic Integrated
Systems Inc.**
North York (ONTARIO)**Elastochem Speciality
Chemicals Inc.**
Brantford (ONTARIO)**ELCAN Optical Technologies**
Midland (ONTARIO)**ELI Eco Logic International Inc.**
Rockwood (ONTARIO)**Enclosures Direct Inc.**
Nepean (ONTARIO)**Eneco Systems Inc.**
Vancouver (ONTARIO)**Enviro SDM Inc.**
Kitchener (ONTARIO)**Environment Recovery
Equipment Inc.**
Port Colborne (ONTARIO)**Expro Chemical Products Inc.**
St. Timothée (QUEBEC)**FAG Bearing Limited**
Stratford (ONTARIO)**FELFAB Limited**
Hamilton (ONTARIO)**Filtervac Inc.**
Kitchener (ONTARIO)**Finora Canada Ltd.**
Surrey (BRITISH COLUMBIA)**Fire Training Systems (FTS)
Limited**
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Barrie (ONTARIO)**Focus Manufacturing Inc.**
Chicoutimi (QUEBEC)**Forensic Technology (WAI) Inc.**
Montréal (ONTARIO)**FSI International Services Ltd.**
Calgary (ALBERTA)**Garlock of Canada**
Dartmouth (NOVA SCOTIA)**Gaski Boats International**
Dartmouth (NOVA SCOTIA)**Gastops**
Gloucester (ONTARIO)**Gem Systems Inc.**
Richmond Hill (ONTARIO)**General Electric Canada Inc.**
Montréal (QUEBEC)**General Kinetics Engineering
Corporation**
Brampton (ONTARIO)**General Motors of Canada
Limited**
London (ONTARIO)**GIII Ltd.**
Winnipeg (MANITOBA)**Global Precast**
Maple (ONTARIO)**Global Thermoelectric Inc.**
Calgary (ALBERTA)**GMAC Financial Services**
Halifax (NOVA SCOTIA)**GPEC International Ltd.**
Ottawa (ONTARIO)**Grace Bioremediation
Technologies**
Mississauga (ONTARIO)**Grant Systems Engineering**
King City (ONTARIO)**Hanover Kitchens Inc.**
Hanover (ONTARIO)**Hard Suits Inc.**
North Vancouver
(BRITISH COLUMBIA)**Hermes Electronics Inc.**
Dartmouth (NOVA SCOTIA)**Héroux Inc.**
Longueuil (QUEBEC)**Héroux-Devtek**
Kitchener (ONTARIO)**Hitesi Products Inc.**
St. Laurent (QUEBEC)**Honeywell Aerospatiale Inc.**
St. Laurent (QUEBEC)**Honeywell ASCa Inc.**
Mississauga (ONTARIO)**Honeywell Limited**
Ottawa (ONTARIO)**Horton Trading Ltd.**
Vancouver (BRITISH COLUMBIA)**HRAI of Canada**
Mississauga (ONTARIO)**ICN Canada Ltd.**
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Halifax (NOVA SCOTIA)**IMP Aerospace Components Ltd.**
Amherst (NOVA SCOTIA)**IMP Group Limited**
Halifax County (NOVA SCOTIA)**ImStrat Corporation**
Carleton Place (ONTARIO)**IMT Corporation**
Ingersoll (ONTARIO)**Indal Technologies Inc.**
Mississauga (ONTARIO)**Industrial Rubber Co. Ltd.**
Bathurst (NEW BRUNSWICK)**Informission Group Inc.**
Quebec City (QUEBEC)

- Inter City Papers International**
Lasalle (QUEBEC)
- International Civil Aviation Organization**
Montréal (QUEBEC)
- International Demining Alliance Canada Inc.**
Carp (ONTARIO)
- Inuvialuit Projects Inc.**
Inuvik (NORTHWEST TERRITORIES)
- Irvn Aerospace Canada Ltd.**
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- Isaac Newton Technologies**
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- Itres Research Limited**
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- John Hunter**
Grimsby (ONTARIO)
- Johnson Controls Ltd.**
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- Ker-Train Research Inc.**
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- La Peausserie de Québec Ltd.**
Québec (QUEBEC)
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Québec (QUEBEC)
- Labotix Automation Inc.**
Peterborough (ONTARIO)
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Goose Bay (NEWFOUNDLAND & LABRADOR)
- Lab-Volt Limited**
Charlesbourg (QUEBEC)
- Liburdi Engineering Ltd.**
Dundas (ONTARIO)
- Lifting Industries Inc.**
Woodbridge (ONTARIO)
- Litton Systems Canada**
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- LNS Systems Inc.**
Ville St. Laurent (QUEBEC)
- Lockheed Martin Canada**
Winnipeg (MANITOBA)
- Lockheed Martin Canada**
Montréal (QUEBEC)
- Lucas Industries Canada Limited**
Montréal (QUEBEC)
- Macdonald Dettwiler Space and Advanced Robotics Ltd.**
Brampton (ONTARIO)
- Machines Outils Henri Liné Inc.**
Granby (QUEBEC)
- Magneto-Inductive Systems Limited**
Dartmouth (NOVA SCOTIA)
- Magtron**
Scarborough (ONTARIO)
- Marathon Watch Company Limited**
Richmond Hill (ONTARIO)
- Maxidrill International Ltd.**
St-Isidore (QUEBEC)
- Measurements International Ltd.**
Prescott (ONTARIO)
- Mecair Inc.**
Pointe Claire (QUEBEC)
- Med-Eng Systems Inc.**
Ottawa (ONTARIO)
- Menasco Aerospace**
Oakville (ONTARIO)
- Menasco Aviation Services Ltd.**
Burlington (ONTARIO)
- Merrill Engineering Ltd.**
Delta (BRITISH COLUMBIA)
- Messier-Dowty Inc.**
Ajax (ONTARIO)
- MetalCraft Marine Inc.**
Kingston (ONTARIO)
- Mid Canada Millwork Ltd.**
Steinbach (MANITOBA)
- Mitrade International Inc.**
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- MMIST Mobility Integrated Systems Technology Inc.**
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- Mobilesource Industries Inc.**
Woodstock (ONTARIO)
- MTU Maintenance Canada Ltd.**
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- Mustang Survival Corp.**
Richmond (BRITISH COLUMBIA)
- Nanaktek Corporation**
Brampton (ONTARIO)
- National Research Council**
Gloucester (ONTARIO)
- National Research Council of Canada**
Boucherville (QUEBEC)
- NDT Technologies Inc.**
Baie d'Urfe (QUEBEC)
- Neptec Design Group Limited**
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- Niedner**
Coaticook (QUEBEC)
- Nordic Systems Inc.**
Mississauga (ONTARIO)
- Norland Canada Inc.**
Dorval (QUEBEC)
- Northwest Territorial Airways Limited**
Richmond (BRITISH COLUMBIA)
- Northwest Territorial Airways Limited**
Yellowknife (NORTHWEST TERRITORIES)
- NSI Communication Inc.**
Ville St-Laurent (QUEBEC)
- NSI Satcom Systems Inc.**
St-Laurent (QUEBEC)
- Nunasi Corporation**
Yellowknife (NORTHWEST TERRITORIES)
- ODIM Spectrum Ltd.**
Peterborough (ONTARIO)
- Olympic Gear and Manufacturing Inc.**
Bramalea (ONTARIO)
- Optech Inc.**
North York (ONTARIO)
- Orenda Aerospace Corporation**
Mississauga (ONTARIO)
- Orgues Léoturneau Ltée**
Saint-Hyacinthe (QUEBEC)
- PerkinElmer Optoelectronics**
Vaudreuil (QUEBEC)
- Poly-Pacific International Inc.**
Edmonton (ALBERTA)
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Longueuil (QUEBEC)
- Professional Machine Service**
Markham (ONTARIO)
- Pro-Safe Fire Training Systems Inc.**
Nobel (ONTARIO)
- Protocol Resource Management Inc.**
Aurora (ONTARIO)
- PyroGenesis Inc.**
Montréal (QUEBEC)
- Raber Glove Manufacturing Co. Ltd.**
Winnipeg (MANITOBA)
- Rail Industries Canada Ltd.**
St. Laurent (QUEBEC)
- Raytheon Canada Limited**
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- Receiver General For Canada**
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- Refrigerant Services Inc.**
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- Regan-Grant Corporation**
Newmarket (ONTARIO)
- Regor Inc.**
Montréal (QUEBEC)
- Remtec Inc.**
Chambly (QUEBEC)
- Rolls-Royce Canada Limited**
Lachine (QUEBEC)
- Sanmina Enclosure Systems**
Toronto (ONTARIO)
- Satlantic Inc.**
Halifax (NOVA SCOTIA)
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Scarborough (ONTARIO)
- Scintrex Limited**
Concord (ONTARIO)
- Scythes Inc.**
Toronto (ONTARIO)
- Serco Facilities Management Inc.**
Happy Valley Goose Bay (NEWFOUNDLAND & LABRADOR)
- Simunion**
Le Gardeur (QUEBEC)
- Sipco Aviation Fuels Inc.**
Toronto (ONTARIO)
- SkyWave Mobile Communications Inc.**
Kanata (ONTARIO)
- SNC Technologies Inc.**
Le Gardeur (QUEBEC)
- SNC-Lavalin International Inc.**
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- Softrade Inc.**
Richmond Hill (ONTARIO)
- Soheil Mosun Ltd.**
Toronto (ONTARIO)
- Soucy International**
Drummondville (QUEBEC)
- Soucy Techno Inc.**
Rock Forest (QUEBEC)
- Spar Aerospace Limited**
Mississauga (ONTARIO)
- Sparton Corp.**
London (ONTARIO)
- Standard Aero Ltd.**
Winnipeg (MANITOBA)
- Standard-Modern Lathes Inc.**
Mississauga (ONTARIO)
- Stanfield's Limited**
Truro (NOVA SCOTIA)
- Swiftsure Spatial Systems Inc.**
Victoria (BRITISH COLUMBIA)
- Targa Electronics Systems Inc.**
Nepean (ONTARIO)
- Tecsumt Eduplus Inc.**
Montréal (QUEBEC)
- Tecsumt International Limitee**
Montréal (QUEBEC)
- Tektrend International Inc.**
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- Teleflex (Canada) Ltd.**
Richmond (BRITISH COLUMBIA)
- The Westaim Corporation**
Fort Sask. (ALBERTA)
- Tomokjan Limited**
Milton (ONTARIO)
- Tourism Standards Consortium (TSC) Inc.**
Edmonton (ALBERTA)
- Trackless Vehicles Limited**
Courtland (ONTARIO)
- Trican Multimedial Solutions Inc.**
Yarmouth (NOVA SCOTIA)
- Tri-Star Industries Limited**
Yarmouth (NOVA SCOTIA)
- Uni-ram Corporation**
Markham (ONTARIO)
- University of Calgary**
Calgary (ALBERTA)
- University of Waterloo**
Waterloo (ONTARIO)
- Valcom Limited**
Guelph (ONTARIO)
- Valley Associates Inc.**
Orleans (ONTARIO)
- Vetement Stenis Inc.**
Le Gardeur (QUEBEC)
- Visual Insight Canada Inc.**
Toronto (ONTARIO)
- Volvo Motor Graders Limited**
Goderich (ONTARIO)
- Vulkan Harex Steelfiber (North America) Inc.**
Brantford (ONTARIO)
- Wabco**
Stoney Creek (ONTARIO)
- Wajax Industries Limited**
Mississauga (ONTARIO)
- Walbar Canada**
Mississauga (ONTARIO)
- Wescam Inc.**
Burlington (ONTARIO)
- West Coast Weld Tech Inc.**
Surrey (BRITISH COLUMBIA)
- West Heights Manufacturing**
Kitchener (ONTARIO)
- Western Star Trucks Inc.**
Kelowna (ONTARIO)
- Wibel Aerospace Inc.**
Slemmon Park (PRINCE EDWARD ISLAND)
- Winsafe Corp.**
Markham (ONTARIO)
- Wire Rope Industries Limited**
Pointe Claire (QUEBEC)
- Woodward Group of Companies**
Goose Bay (NEWFOUNDLAND & LABRADOR)
- Wright Environmental Management Inc.**
Richmond Hill (ONTARIO)

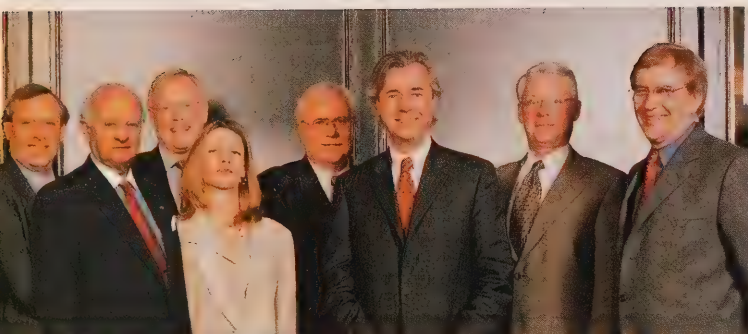
BOARD OF

DIRECTORS

APRIL 1, 2000 TO MARCH 31, 2001

As of March 31, 2001

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*The Board of Directors and the Minister for
International Trade, The Honourable Pierre S. Pettigrew*

Chair: Douglas Patriquin

President, Canadian Commercial Corporation
Ottawa, Ontario

John Banigan

Assistant Deputy Minister, Industry Sector
Industry Canada
Ottawa, Ontario

André Trépanier, FCA

Investment Advisor
RBC Dominion Securities Inc.
Montréal, Quebec

Andrew Saxton

Deputy Chairman
Allied Hotel Properties Inc.
Vancouver, British Columbia

Wendy Morris

President
Morris Industries
Saskatoon, Saskatchewan

Dave W. Stapley

President
DRS Technologies
Carleton Place, Ontario

John Gero

Assistant Deputy Minister
International Business
and Chief Trade Commissioner
Department of Foreign Affairs
and International Trade
Ottawa, Ontario

OFFICERS

Douglas Patriquin

President

Emechete Onuoha

Vice-President, Corporate Strategy

53

Tamara Parschin-Rybkin, QC

Co-ordinator, Legal Services and
Secretary to the Board

Paul Thoppil, CA

Chief Financial Officer

Hugh O'Donnell

Executive Vice-President,
Business Development and Operations

Sharon Fleming

Director, Human Resources and Administration





Canadian Commercial Corporation

1100-50 O'Connor Street
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K1A 0S6

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(in Canada)

Telephone: (613) 996-0034
(Ottawa)

Fax: (613) 947-3903

Regional Offices

Calgary, Alberta: (780) 422-8525

Halifax, Nova Scotia: (902) 426-9630

Montreal, Quebec: (514) 283-8791

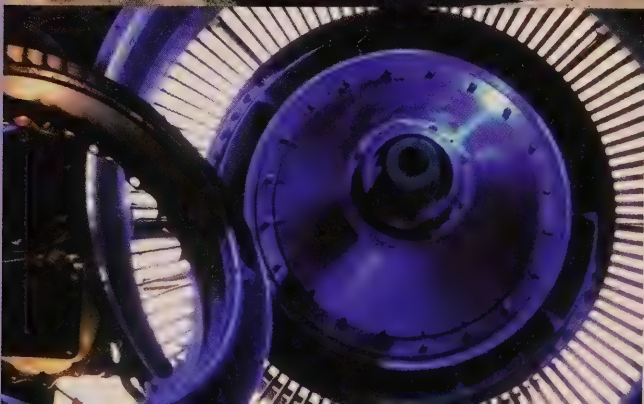
Regina, Saskatchewan: (306) 787-7936

Toronto, Ontario: (416) 973-5081

Vancouver,
British Columbia: (604) 666-4781

www.ccc.ca

REALIZING OUR VISION





Empowering Canadian Exports: Credibility - Confidence - Contracts



CCC

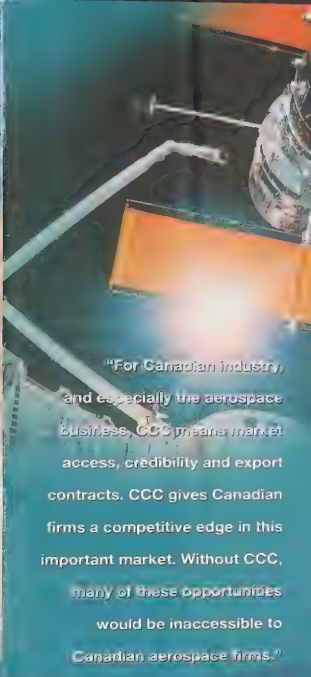
Annual Report

2001-2002



Canadian
Commercial
Corporation

Canada



"For Canadian industry, and especially the aerospace business, CCC means market access, credibility and export contracts. CCC gives Canadian firms a competitive edge in this important market. Without CCC, many of these opportunities would be inaccessible to Canadian aerospace firms."

Robert A. Smith, President
Aerospace Industries Association of Canada

Highlights for 2001-2002

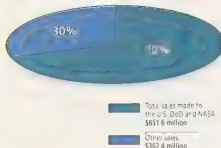
Business volumes

CCC's total business volume: **\$1.214 billion**

U.S. versus Total international outside U.S.



Sales to U.S. DoD and NASA versus Sales to Others



Other highlights

Volume of exports supported by Progress Payment Program	\$69 million
Total sales volume achieved by small and medium-sized* enterprises (SMEs)	\$378.8
Number of Canadian exporters accessing CCC services	1,954
Number of Canadian exporters contracting through CCC	228
Percentage of companies contracting through CCC that are small or medium-sized	61%
Number of countries buying through CCC	34
Client value rating	7.85

* SMEs are defined as companies with annual sales of less than \$25 million

Distribution of business volume by sector

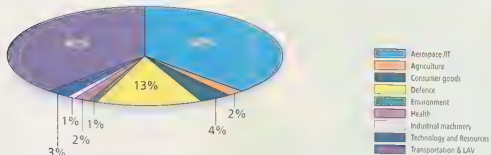


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CCC in profile

CCC builds international confidence in Canadian exports by endowing them with the credibility of Canada itself. Providing foreign buyers with invaluable contract performance guarantees, CCC empowers Canadian exporters to pursue opportunities wherever they arise – and to secure contracts that benefit buyer and seller alike.

The Canadian Commercial Corporation (CCC) is Canada's export contracting agency, specializing in transactions with foreign governments and international institutions. As a Crown Corporation of the Government of Canada, CCC provides a range of services to facilitate transactions between Canadian exporters and international buyers.

By selling through CCC, Canadian companies gain direct access to U.S. military and aerospace markets under the Canada-U.S. Defense Production Sharing Arrangement (DPSA). CCC also negotiates commercial sales on behalf of Canadian exporters, providing access to a wide range of public procurement opportunities around the world through government-to-government transactions. In this way, CCC helps Canadian firms win export contracts on improved terms. It also helps SMEs to obtain project-related working capital from commercial sources through its Progress Payment Program.

The knowledge and expertise of CCC's staff extends to a variety of world markets, and is

available to assist exporters through a wide range of services, from pre-contract advice to contract management and post-contract support.

Foreign buyers who acquire Canadian goods and services through CCC receive a unique guarantee of contract performance. This guarantee, backed by the Government of Canada, adds credibility to Canadian exporters and reduces the procurement risk perceived by international buyers. CCC's services also reduce the complexity and effort of procurement, providing buyers with a single, dependable point of contact throughout the entire process.

Acting as a Prime Contractor, CCC has signed more than \$30 billion in export contracts with satisfied buyers in over 100 countries since its creation in 1946.

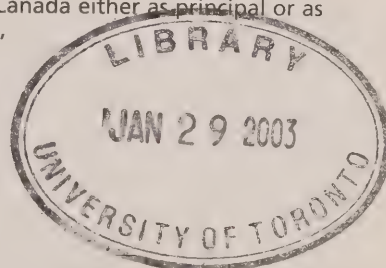
Headquartered in Ottawa, CCC maintains liaison offices in major centres across the country in cooperation with provincial governments, ensuring regional representation and strengthening vital links to provincial trade authorities.

Mandate

The *Canadian Commercial Corporation Act* outlines CCC's mandate to assist in the development of trade between Canada and other nations. The Act provides CCC with a broad range of powers including, specifically, "exporting goods and commodities from Canada either as principal or as agent, in such manner and to such extent as it deems advisable."

Mission

CCC's mission is to serve as an effective Canadian trade instrument, bringing buyers and sellers together and closing successful export contracts on the best possible terms and conditions.



President's message



Douglas Patriquin
President

The Year 2001-2002 was a pivotal one for CCC. It marked the culmination of several years of studies and planning aimed at increasing the Corporation's contribution to Canadian export growth and diversification. We received policy direction from our shareholder to pursue enhanced objectives in a commercial manner – and received as well an infusion of necessary financial resources. Parliament passed amendments to strengthen the Corporation's

operational authorities and governance, marking the first substantive legislative change for CCC since its inception in 1946.

CCC took some important initial steps in 2001-2002 to act on this direction. We achieved a number of notable business results and maintained the Corporation's reputation for responsive and practical services to customers and clients alike.

An expanding vision

CCC has long believed in the potential to increase Canada's share of the international government procurement marketplace, which is valued at more than US\$5 trillion. This view is founded on the fact that we have successfully supported Canadian exporters in over 100 countries, and on the conviction that our unique role as a contracting agency can be used to bring more customers and clients together successfully in these evolving and often difficult markets.

In 2001, we put forward a business and financial plan to realize this vision, following the recommendations of an external review and consultations with stakeholders. The government responded positively. It approved a proactive strategy to expand CCC's business in government procurement markets in sectors where Canada has a comparative advantage, and to strengthen the Corporation's capacity to meet increasing demand for its services, particularly from small and medium-sized enterprises (SMEs).

Equally important, the government gave us the tools to do so. It increased our annual appropriation to support ongoing operations. It made an equity contribution to strengthen our balance sheet. And in March 2002, legislation allowing CCC to borrow funds commercially and to charge market-oriented fees for its services received royal assent.

For CCC to expand its activities and help Canadian exporters grow their business, it was recognized that it must become stronger financially and thus more commercial in its orientation. As our equity base remains modest, we hold fast to our commitment to prudent risk management. At the same time, the Corporation has committed through its corporate plan to achieve financial self-sufficiency in its business outside the Canada-U.S. Defense Production Sharing Arrangement (DPSA), where fees are not charged by mutual agreement.

Value in action

Throughout this momentous year, CCC has kept pace admirably with its day-to-day responsibilities, meeting and exceeding most of its performance targets. While the recessionary climate was challenging for Canadian exporters, they sold more than \$1.2 billion in goods and services through

CCC in 2001. Our staff worked with almost 2000 firms to develop new business in markets around the world, and our efforts contributed to maintaining more than 10,000 jobs in Canada.

The growing number of parties interested in using CCC's services reflects the practical contribution the Corporation makes in facilitating international transactions. The strong evidence of client value in our performance measures attests to this reality.

One of the great satisfactions of my job is hearing Canadian clients and international customers express their appreciation for the efforts of CCC staff to create successful export contracts. We serve Canadian exporters by helping them secure foreign sales with the support of the Canadian government. We serve foreign buyers by helping them acquire the products and services they need – with the assurance that their contracts will be fulfilled successfully. Credibility. Confidence. Contracts.

The assurance we provide customers is important because the products they buy through CCC typically have high-performance requirements. Quite literally, customers such as NASA put their lives in the hands of our suppliers.

Realizing our value demands equal measures of responsiveness and commitment. Both were demonstrated clearly last year following the terrorist attacks on September 11th, which renewed concerns over global security and defence. As the U.S. Department of Defense went on high alert, so did our team, standing by 24 hours a day to respond to our neighbour's needs.

The way forward

Innovation and ingenuity are essential elements of CCC's value. We are committed to creating effective, customized solutions that meet customer and client needs. Examples include structuring security packages to enable customers in higher-risk markets to buy through CCC; introducing new services that lower the cost of foreign exchange transactions for SMEs; and facilitating consortium sales through careful assignment of liabilities, efficient acceptance criteria, and profiling of cashflows.

Our international portfolio has always been varied, with contracts and amendments signed

last year in 34 countries, extending across a wide array of sectors. We seek to build on this diversity by developing a broader range of customer relationships in certain countries. We will continue to work in partnership with Team Canada Inc., an alliance of key federal trade organizations including Export Development Canada and the Trade Commissioner Service, and with our provincial government liaison offices, to promote and grow Canada's export business.

At the same time, we know that exporters in key sectors must be aware of our services if they are to use them to best advantage. Adopting a business model that depends increasingly on income from fees for service adds urgency to this imperative. CCC is well known to its traditional users, but as it enters new sectors the Corporation must be proactive in identifying and pursuing new clients – something it is committed to doing. We have a great story to tell about our ability to put the power of Canada behind exporters' sales, and we're going to be active in telling it.

Making strides

To focus our marketing more sharply on customer needs, we established a Market Opportunities Development (MOD) group last year. This group is concentrating initially on the

Americas, to support Canada's growing interest in countries of the planned Free Trade Area of the Americas (FTAA). We have also realigned our contracting business teams into two sectorally-based units, bringing together our DPSA operations with a team working on Aerospace and Defence business in other countries, and creating an International Commercial Business unit to handle business in other sectors. The activities of these groups are described in this Report.

To meet our clients' requirements more precisely and efficiently, we began to tailor our service offerings last year. The package of services CCC provides when signing a sales contract as Prime Contractor range from project identification and promotion through contract assessment, negotiation and administration. This package is being 'unbundled', allowing exporters to take advantage of individual services as required. Exporters will pay only for the services they use, as they use them – making our services more economical and enabling us to serve a larger number of exporters in a wider range of business circumstances.

Also improving our capacity to serve is our investment in new IT infrastructure, which we began early in 2001. Through automation and improved information-sharing, it will enable



our organization to increase the efficiency of its operations, which involved over 3,000 contracts and amendments last year. The new system also provides a platform for the introduction of e-business processes and services, which we expect will become of increasing importance to our customers in the near future.

The amendments to CCC's legislation assented to in March updated and strengthened our governance structure, by separating the positions of President and chair of the Board. I believe my giving up the chair's role – which I have enjoyed filling as President for three years – is a logical and important step for the Corporation. It will give a greater measure of independence to the Board, from which I am certain the Corporation will benefit. I expect a new Chairperson will be appointed in the 2002-2003 fiscal year.

Acknowledgements and expectations

In closing, I extend my thanks to the entire team at CCC, whose dedication, insight and collaborative spirit have contributed immensely to the value we bring to our customers and clients – and have earned the strong vote of confidence given by our shareholder this year.

I would especially like to note the retirement of Sherri Lillico, who started with CCC in 1973 and retired as a Director of International Business in 2002. She has been the face of CCC in many contracts. People in many companies and in many countries appreciated her skills and will miss her contribution. I would also like to thank the Board for its support and direction, and acknowledge the contribution in particular of André Trépanier, who sat as a member for six years and served as a highly effective chair of our Audit committee.

In the fiscal year 2001-2002, CCC received new direction and critical resources and authorities needed to carry it out. The Corporation's challenge going forward will be to meet our various stakeholders' expectations of a greater contribution to international trade, in the important arena of government procurement. I am confident that CCC has the team and the organizational agility to meet that challenge with great success.



Douglas Patriquin
President

CCC has long believed in the potential to increase Canada's share of the international government procurement marketplace, valued at more than US \$5 trillion. In 2001-2002, Canadian exporters sold more than \$1.2 billion in goods and services through CCC in markets around the world, maintaining more than 10,000 jobs in Canada.



The business year in brief

In 2001-2002, CCC achieved a total business volume of \$1.214 billion. Though this is slightly lower than the previous year due to the effects of a small number of large contracts that were postponed by customers, for all but these particular sales, CCC's business volumes increased over 2000-2001.

With 1,954 Canadian exporters using its services, the Corporation exceeded its target, realizing an increase of 160 exporter clients over the previous reporting year.

Revenue from cost recovery and receivables discounting activities also grew, to \$5.2 million in 2001-2002. This indicates that a growing number of companies are aware of the Corporation's services and are utilizing them.

Of the 228 companies that contracted through CCC in 2001-2002, 140 were small or medium-sized enterprises (SMEs) – companies with annual sales of less than \$25 million. Combined, this group generated more than \$378.8 million in contracts through CCC.

Defense (DoD) accelerated the delivery schedules for existing purchases and identified additional requirements for security- and defence-related goods and services. CCC's sales under the Canada-U.S. Defense Production Sharing Arrangement (DPSA) business grew as a result. For example,

Following September 11, CCC went on round-the-clock standby, readying itself to respond to any customer requirements that might arise. The U.S. Defense Contracting Management Agency compiled a list of Canadian companies most likely to be called upon for critical supplies. CCC established 24-hour, seven-day-a-week on-call relationships with those companies.

To further support SMEs, CCC also signed an agreement with TD Bank in 2001-2002, through which exporters using the Corporation's Prime Contractor services receive a favourable rate of exchange when dealing in other-than-Canadian funds.

September and beyond

CCC's operations were affected significantly by the events of September 11. The U.S. Department of

a Canadian supplier of a product used to protect troops against chemical warfare saw a \$200,000 order grow to \$3,000,000.

In other sectors, such as civilian aerospace and transportation, business activity was diminished in 2001-2002, partly due to September's tragedy and partly to the challenges of global economic recession exacerbated by these events.

Position of strength

DPSA – EXPRO Technologies (EXPRO TEC)

The past year has been an exciting one for EXPRO Technologies – formerly Expro-Chemical Products – thanks in no small part to the efforts of CCC. The company develops ammunition propellants, including a new generation of products used to trigger the inflation of automotive airbags.

During 2001, CCC – as Prime Contractor under the Defence Production Sharing Arrangement – helped EXPRO negotiate the complexities of a deal with the U.S. Army Tank, Automotive and Armaments Command. The contract included two rigorous and successful testing phases worth nearly \$1 million each, and culminated in a \$13 million March 2002 deal to option EXPRO's product.

"CCC was instrumental in obtaining this large order as it reinforced EXPRO's position with the U.S. Army during a difficult period before the acquisition by SNC Technologies," says Pierre Bélanger, Vice-president, Military Market. Bélanger refers to the December purchase of EXPRO by a division of SNC Lavalin. According to Bélanger, the company's strong American-defence presence is a direct result of ongoing efforts with CCC. "The U.S. military market represents approximately 60 percent of the company's annual turnover. Without this market EXPRO would have been much less attractive to SNC TEC."



Commercial orientation, legislative change and re-financing

In November, the Minister for International Trade, the Honourable Pierre Pettigrew, introduced amendments to the *Canadian Commercial Corporation Act* (Bill C-41), to enable the Corporation to borrow commercially and to charge market-based fees for its services, as well

as to separate the roles of CEO and board chair. In assenting to these amendments in March 2002, Parliament re-affirmed the importance of the Corporation's mandate and services as an instrument of trade development.

The government reviewed CCC's financial requirements and agreed to its request for an increased appropriation to uphold its ongoing obligations, particularly under the DPSA. This was granted early in 2002, raising CCC's annual appropriation from \$13.9 to \$15.8 million.

on CCC's ability to provide clients with value-added services relevant to their business needs. As a result, the Corporation's traditional Prime Contractor service is being 'unbundled' into its component parts, allowing clients to choose the offerings most relevant to their business situation.

In 2001, the government gave policy direction to CCC to assist exporters to access more opportunities in government procurement markets, on an increasingly commercial basis.

In addition to its increased appropriation, CCC received an equity contribution of \$8 million in 2001-2002. Together with its borrowing authority, this injection will enable CCC to maintain timely payment standards and increase its capacity for commercial risk – to the particular advantage of small and medium-sized enterprises.

To support business growth, CCC will need to cover an increasing proportion of the cost of its services from fees. This approach – which does not apply to services provided by CCC under the aegis of the DPSA – places increased importance

This is a direct step toward the Corporation's goal of enhancing its services to anticipate client needs and changing market conditions. It is also financially necessary; the bulk of CCC's costs are incurred in the pre-contract phase of a project, for activities such as opportunity identification, project promotion, assessment of contractual terms, due diligence and contract negotiation. By unbundling its services, CCC will be more able to tailor its services to clients' needs and to charge appropriately for the value it delivers as costs are incurred.

Partner at the table

CCC as Prime Contractor – Soucy International Inc.

Since 1994, teamwork has been the hallmark of the relationship between CCC and Soucy International Inc. of Drummondville, Québec. The company is a world leader in the development of continuous rubber-track systems for recreational, industrial, agricultural and military vehicles. Soucy relies exclusively on CCC as Prime Contractor on all international sales – including the recent \$2.2 million deal with Hagglunds Vehicle A.B. of Sweden.

Recognizing CCC's specialized foreign-contract negotiating skills, Soucy also

involves the Corporation in the preparation of teaming agreements for technology development. The company is currently partnering with a U.S. firm to produce a new military track vehicle, which is in its final testing stages. "CCC assisted us in the legal terms of the teaming agreement itself and in reviewing the agreement," says Jack Jennings, Soucy's Vice-president of Business Development. "And we included a clause stating they will be involved as Prime Contractor in the event of a sale."



Our services

CCC offers a suite of contracting services that provides tremendous advantage to Canadian exporters and international buyers alike.

For Canadian exporters, CCC wraps their proposal in the Canadian flag, providing a government-backed guarantee of contract performance as Prime Contractor, and a range of pre-contract, contract advisory and post-contract services. CCC also provides access to project-related working capital from commercial sources.

And because exporters can now decide how much they want CCC involved in their project, they pay only for the services they use.

For buyers outside Canada, CCC makes it easy to purchase high-quality Canadian products and services. CCC facilitates their purchase by acting as a procurement agent, identifying suppliers and negotiating and managing the contract.

To further serve exporters and foreign buyers, CCC launched SourceCAN in June 2001, in conjunction with Industry Canada and HyperNet.

An e-marketplace, SourceCAN matches Canadian products and services with thousands of business opportunities posted by foreign corporations and governments. By accessing international tendering information, Canadian companies can identify export opportunities for their products and services.

International Prime Contractor

Through its International Prime Contractor service, CCC offers a range of services that clients can now take advantage of individually or as part of the complete Prime Contractor service, depending on their requirements.

Pre-Contract Services

Project promotion – including letters of introduction, reference and support, and in-country buyer briefings.

Contract advisory services – including advice on bid and proposal preparation, as well as contract structuring and negotiation services.

Post-Contract Services

Through contract monitoring and administration, CCC helps reduce the administrative burden of trade transactions on Canadian companies, ensuring that milestones are met, goods and services are delivered and products and services conform to the terms and conditions of the contract.

At any time in the project development cycle, exporters may request CCC to act as Prime Contractor with its guarantee of contract performance. As Prime, CCC can also arrange receivable discounting and attractive foreign exchange services, and extend credit to foreign customers where appropriate securities can be arranged.

U.S. Department of Defense and NASA

CCC enjoys privileged access to the U.S. Department of Defence (DoD) and NASA through the Defense Production Sharing Arrangement (DPSA), which governs Canadian sales to these organizations valued above \$100,000. CCC's experienced U.S. Defence and NASA specialists help Canadian exporters navigate this complex market. Because of the DPSA, Canadian exporters selling through CCC benefit from less restrictive U.S. government procurement rules, including:

- Waiver of U.S. cost accounting standards for contracts;
- Waiver of requirements for submitting cost and pricing data; and
- Waiver of some of the regulations of the *Buy America Act*.

The DPSA meets important public-policy objectives of the Canadian government by supporting the essential and mutually beneficial relationship between Canada and its southern neighbour.

Progress Payment Program (PPP)

The Progress Payment Program (PPP) is an innovative financing program that supports Canadian exporters – SMEs in particular. Through it, CCC helps provide access to commercial sources of pre-shipment financing. Working in partnership with 19 financial institutions across Canada, CCC provides companies with access to the working capital they need to cover production costs associated with an export contract.

January, 2002 marked the seventh year of operation for CCC's Progress Payment Program (PPP). In that time over 300 companies have accessed more than \$422 million in pre-shipment financing.

Success on the run

PPP – Muttluks Inc.

CCC's Progress Payment Program (PPP) was a boon to Toronto's Muttluks Inc., which manufactures protective boots for dogs. In August 2001 the small company received news that its product would be sold in the U.S. stores of the PetSmart chain. "We were about to go from supplying 20 Canadian stores to 500-plus

in the U.S.," says Muttluks President Marianne Bertrand. To secure the deal, she had to first obtain pre-shipment financing – fast. Bertrand contacted iTrade, one of 19 lenders participating in the PPP. Applying its export and contracting skills, CCC quickly assessed Muttluks' financial, managerial and technical capacity to deliver on the contract. In less than two weeks, CCC indemnified the pre-shipment financing Muttluks needed to secure the deal and double its previous year's business.



Market focus and sectoral realignment

CCC believes there is large untapped potential for Canadian exports in government procurement markets, which are estimated to exceed US\$5 trillion worldwide. While they may be potentially lucrative, these opportunities have not attracted extensive participation by Canadian exporters. According to a survey conducted for CCC, only 17% of Canadian exporters sell to foreign governments, and of these, 59% were active only in the US.

CCC made several organizational changes in the past fiscal year to re-focus its sales and marketing efforts, aimed at developing stronger customer relationships in certain countries and deepening its understanding of the needs of key export sectors, in order to help Canadian exporters penetrate these markets.

Through the Market Opportunities Development unit, CCC began to develop and execute targeted business development strategies in designated

Ready to respond

CCC as Prime Contractor – Burden's Services Ltd.

For the past few years, Burden's has provided sole-source janitorial services to foreign air forces stationed at 5 Wing Goose Bay. Successive contracts – worth millions of dollars – have been negotiated on Burden's behalf by CCC, which applies its contracting expertise to ensure the company benefits from the best possible terms and conditions.

"As military organizations, our clients require rapid responses," says Lily Burden, the company's vice-president. "CCC's expertise has streamlined the process. Our clients are happier because we're able to meet their needs quickly."

Equally important to Burden's is CCC's receivables discounting service, which provides additional security in this remote Newfoundland and Labrador community by ensuring improved cash flow. Through this program, the company's invoices are paid by CCC within 15 days, regardless of whether the Corporation has received payment from the buyer.

Burden's support has been so valuable, last year the German Air Force turned to the company for administrative as well as cleaning services. The amendment – drafted by CCC – has increased the value of Burden's contract by at least 15 percent.

countries, focusing on government procurement markets. In its initial work, this group has concentrated on developing a stronger position for Canadian exporters in supplying goods and services to the public sector throughout the Americas, reflecting the Government of Canada's interest in developing free trade arrangements to include Central and South America as well as NAFTA countries. This has led to an increase in the number of opportunities CCC is pursuing and in the number of companies working with CCC at the early stages of project development.

At the same time, CCC continues to focus on its core markets, maintaining a strong relationship with the U.S. government and building upon it to improve Canadian exporters' access to civilian public procurement opportunities in the U.S.

By the end of 2001-2002, CCC's contracting services were delivered by two principal divisions: one dedicated to international commercial business and the other to aerospace and defence.

International Commercial Business

CCC's International Commercial Business unit encompasses a wide range of sectors, focusing on products of special interest to public-sector buyers. These include agriculture, energy, environment, geomatics, health, housing, information technology, machinery and transportation. In each of these, CCC can offer Canadian exporters particular competitive advantages.

To date, this unit's marketing activities have included participation in trade shows and consultations with organizations such as the Canadian

What Canada Sells Abroad

In 2001-2002, CCC's International Commercial Business unit engaged in negotiations for the export of a wide range of Canadian products and services, including: canned fish, clothing, hearing aids, natural gas re-fuelling stations, packaging, roof slates, tax consulting services, trolley buses, and waste treatment and pollution control materials.

Urban Transit Authority and the Canadian Institute of Transportation Engineers, as well as the American Public Transportation Association and government bodies such as Industry Canada, the Department of Foreign Affairs and International Trade, Transport Canada, Canada Mortgage and Housing Corporation, the Canadian Association of Mining Equipment and Services for Export, and Export Development Canada.

The largest commercial growth sector for CCC in 2001-2002 was health. In the first year of its three-year Zambia Pharmaceuticals project, CCC contracted the sale of some \$5 million in pharmaceuticals. The Zambia model is one that CCC intends to apply in other regions of the world and in other industrial sectors. Through it, CCC handles the procurement of goods and services with funding from donor agencies such as CIDA, ensuring that recipient governments receive what they need on the best terms possible.

Also related to health, CCC continued its procurement role with two other organizations: the World Food Programme's Food Aid Program, through which the Corporation purchases commodity products such as pulses, vegetable oil and fish for developing countries. In addition, CCC provided vitamin A capsules to be distributed to women and children in developing countries on behalf of the Micro-Nutrient Initiative, a non-governmental organization dedicated to nutrition and health.

The Corporation undertook negotiations related to larger-scale infrastructure projects around the world in 2001-2002. These included proposals for the construction of airports and electrical facilities and the supply of gas plants. The Corporation also facilitated a number of contracts in the consumer products sector, often with private-sector buyers, as a result of its Progress Payment Program.

Reaching out, forging alliances

One of CCC's key objectives for the past fiscal year – and indeed the years to come – is building awareness of the Corporation within its various markets. Many activities were undertaken in 2001-2002 to meet this goal, including an in-person and telephone sales blitz that reached out to some 1,150 potential Canadian clients.

Another prominent undertaking in 2001-2002 was a CCC-U.S. government procurement seminar. With the aim of building on contractual relationships established in defence through the DPSA, this traveling 'road show' was hosted in partnership with CME (Canadian Manufacturers and Exporters), and with the participation of

U.S. civilian government agencies. With stops in Halifax, Montréal, Toronto and Calgary, the cross-country tour introduced some 600 exporters to the realities and benefits of doing business with the U.S. A number of American customers attended the shows, meeting Canadian firms; Lockheed Martin, the prime contractor for the JSF design phase, attended the Montréal seminar.

The road show proved to be an important exercise in giving Canadian exporters access to new opportunities in the U.S. public market. In particular, many smaller Canadian aerospace companies took advantage of the opportunity to raise their profiles with the U.S. General Services Administration and Federal Aviation Authority.

In 2002-2003, the International Commercial Business unit will concentrate its proactive activities in those sectors in which it believes CCC can add value in the next few years.

Aerospace and Defence

Following September 11, activity in this business unit accelerated and increased. Sales to the U.S. DoD and NASA under the DPSA amounted to \$851.6 million, a significant increase over the \$729 million reported in 2000-2001.

While September 11 accelerated defence sales, its events compounded the challenges facing the international aerospace industry, which was already struggling with economic uncertainty around the world. As a result, CCC sought new opportunities for Canadian companies in this sector, advocating strongly for the country's participation in the multinational Joint Strike Fighter (JSF) program. Taking a place at the table alongside the U.S., the UK and others, Canada signed an international agreement for JSF in February, 2002, becoming an important partner in the project's design and development phase.

During this initial phase alone, which is scheduled to extend to 2012, it is estimated that JSF will generate \$350-\$450 million in contracts for Canadian exporters. Over the longer term, Canadian industry will be positioned to reap a possible \$8-\$10 billion in contracts during the full production phase of this next-generation fighter aircraft (2012-2040).

Also in 2001-2002, CCC began marketing NAV CANADA'S air-traffic control training capabilities in foreign markets. This activity began after the two organizations signed a memorandum of understanding.

In 2001-2002, CCC's Aerospace and Defence team was involved in negotiations in an impressive array of products and services, including: airborne laser terrain mapping systems, aircraft parts, army boots, computer circuit cards, landing gear, patrol boats, sonar and imagery tools, space vision systems, stop watches, and water and drinking supplies.

In addition to the seminar, CCC participated in many industry events in 2001-2002, including air shows in both Paris and Singapore. The Corporation led missions of Canadian aerospace firms to the sites of potential JSF prime contractors before Lockheed Martin was chosen. CCC also co-sponsored the Ontario Global Trader Awards in 2001-2002, in collaboration with Ontario Exports Inc.

As part of its continued awareness-building efforts, CCC engaged in a modest amount of targeted advertising in 2001-2002 and plans to produce more in the years to come.

CCC also established partnerships and mutually beneficial associations with a number of organizations in 2001-2002 to support the pursuit of its objectives.

For example, CCC partnered with Industry Canada and HyperNet Inc. to establish SourceCAN, a database of major Canadian exporters organized by sector. Launched in June 2001, SourceCAN is an e-marketplace that matches Canadian products and services with thousands of business opportunities posted by domestic and foreign corporations and governments. By accessing international tendering information, Canadian companies can source bids, post opportunities and pursue strategic partnerships, all within a secure online trading environment.

Linked directly to the U.S., Europe and other markets, the system facilitates bid matching and access to contract opportunities.

Technological developments

CCC began the implementation of its new information-technology platform in July 2001. The final data-conversion phase will be completed early in the 2002-2003 fiscal year. The implementation of the new platform was subcontracted to Montage-DMC, a company that specializes in technology implementation.


Built on an Oracle database and employing the off-the-shelf Oracle 11i eBusiness suite, the new system overcomes the networking limitations of CCC's previous platform and delivers the advantage of a single-vendor solution. Purchasing off-the-shelf technology was a more efficient and cost-effective option for CCC than internally developing customized applications.

While CCC is a small organization, it processes significant volumes of complex transactions and therefore requires a high-end, high-capacity IS/IT solution. No mid-market solution could meet all the Corporation's needs and be provided by a single vendor. Oracle was chosen because its software accommodates all of CCC's business needs, while its Internet-ready platform possesses the necessary scalability to accommodate future network growth.

The system, to be known as Spectrum, will allow CCC to integrate marketing, sales and financial data for improved strategic decision-making and accurate sales and revenue forecasting. Available in both official languages, it allows the Corporation to standardize its processes through the use of templates. Spectrum has fee-for-service capabilities built in, requiring minimal configuration to support this new facet of CCC's operations.

Looking forward, CCC's new IT infrastructure provides a robust platform for e-business – supporting whatever activities CCC might elect to undertake in the context of Canada's government on-line initiatives toward business and export growth.

The challenge going forward will be for CCC to master this new system and the wealth of information it makes available; in other words, to extract the greatest strategic advantage.

A photograph of a woman with dark hair, wearing a light-colored sweater, sitting at a desk and working on a laptop. She is looking down at the keyboard. In the background, another person is visible, also working at a desk. The office environment is modern and professional.

"CCC's staff was always very helpful in finding solutions to our problems. This is due mainly to their very good knowledge of their different programs offered to Canadian industry. They would always make themselves available to meet with us, sometimes on very short notice."

*Pierre Bélanger
Vice President, Military Markets
Expro Technologies Inc.*

People and skills

CCC is a small organization of approximately 95 people, without whom the Corporation could not have achieved its enviable reputation for service and competence. In 2001-2002, the Corporation's human resources development efforts focused on establishing a job-evaluation framework that acknowledges the uniqueness of the Corporation, and on reaching a new collective agreement with the employee union. Both were achieved successfully.

The job-evaluation framework implemented in 2001-2002 was developed with input from employees; their contributions informed the system's underlying values. Providing a single classification system that meets the federal government's pay equity requirements, it broadens the job groupings within CCC and removes artificial barriers to employee mobility within the organization.

This framework, coupled with the signing of a new collective agreement with CCC employees, creates the necessary stability and flexibility for CCC to pursue its corporate goals and manage job performance in an effective, responsive way.

2001-2002 marked the first full year of CCC's new Reward and Recognition program. Various categories of awards were established in the previous year, from corporate and peer awards to on-the-spot recognition presented spontaneously by managers. In total, two corporate awards and four peer-recognition awards were presented to employees, along with numerous ongoing recognition awards.

Six employees received corporate and peer-recognition awards as part of CCC's Reward and Recognition program. Recipients for 2001-02 included, from left to right : Kathleen Angel, Maria Pacheco, Ron Linton, André Laurent, Glenda Lalonde and Paulette Chartier.



In the coming year, the Corporation will focus on four broad human-resources strategies to ensure an enthusiastic, creative and expert human capital base, well-equipped to handle the challenges of a fast-changing business environment. Strategic investments of time, energy and resources will be made in:

- Learning and development to enhance the commercial expertise of CCC staff;
- Performance management to ensure that everyone contributes effectively to CCC's success;
- Workforce wellbeing to engage staff in maintaining a supportive work environment; and
- Targeted external recruitment to complement business initiatives in identified sectors.

Training and ongoing professional development are always critical in knowledge-based organizations such as CCC. These activities will be especially important in the coming year as the Corporation implements its fee-for-service regime. In addition to strengthening the competencies staff require to meet the objectives of CCC's commercial focus, the Corporation will support its people as they learn the hard skills associated with the new IT infrastructure through which transactions will be conducted.

The longer-term needs of CCC will be addressed through ongoing leadership development and specific learning opportunities designed to strengthen identified technical competencies. Extensive training has been planned in these areas to enable staff to meet coming challenges and support the Corporation's broader objectives.

Social and environmental responsibility

The past few years have seen a growing interest in Corporate Social Responsibility (CSR). CSR includes, for example, promoting the health and safety of employees; protecting the environment; responding to natural disasters; and ensuring that human rights are respected in the communities where the Corporation operates. In the export sector, interest in Corporate Social Responsibility has arisen in large measure because of the importance of international trade and investment in shaping the priorities of national governments and institutions.

CCC participated in 2001-2002 in the government interdepartmental committee on Corporate Social Responsibility, acting on its conviction that issues of CSR are important for all organizations, public and private. At the community level, the Corporation took part once again in the annual United Way fundraising campaign, and CCC

employees contributed to the Big Bike for Stroke event held in support of the Heart & Stroke Foundation of Ontario.

CCC's management presented an interim environmental review framework to its Board of Directors during the year. This framework, which the Corporation applies to projects involving construction outside Canada, was modeled on a framework developed by Export Development Canada (EDC). CCC continues to follow the evolution of EDC's environmental practices and policies, taking from them valuable lessons to apply to its own.

CCC also continued its discussions with the Canadian Environmental Assessment Agency, which oversees the government's Environmental Assessment Act. The Corporation remains committed to being proactive in this area and fulfilling its environmental responsibilities as fully as possible.

Junior Team Canada

Queen's University Commerce student Alison Payne was one of 46 young Canadians on the summer 2001 Junior Team Canada mission to Asia. Sponsored in part by CCC, Alison spent the month of August touring numerous countries, including South Korea, Japan, Taiwan and Thailand. "The opportunity to participate in Junior Team Canada was at once a great honour as well as a great challenge," said Alison. "All 46 delegates from across Canada agreed that preparing for the mission was one of our greatest learning experiences, and something that can definitely not be taught at school."

Corporate governance

Governance in Crown corporations must take into account the fact that these institutions have a dual purpose of delivering important public programs and managing within a commercial context. CCC operates under the *Canadian Commercial Corporation Act* and under Part X of the *Financial Administration Act*, which outlines the control and accountability framework for federal Crown corporations. The Government has established guidelines entitled *Corporate Governance in Crown Corporations and Other Public Enterprises*, which emphasize the board's responsibilities in the areas of stewardship, working with management and effective board functioning. It recommends that each Crown corporation report on its corporate governance practices in its annual report, in relation to these guidelines.

On March 31, 2002, CCC's Board of Directors consisted of five members from the private sector, two from the public service, and the President. Under the *CCC Act*, the President was required to chair the Board as well as act as CEO. To strengthen the Board's independence and to meet modern governance practices, Parliament assented to an amendment to the *Act* in March 2002 to separate the functions of CEO and Board chair. A new chairperson is expected to be appointed during 2002-2003.

The Board met four times in person and three times by conference call during the past fiscal year, and once with the Minister responsible for CCC, the Honourable Pierre Pettigrew, to carry out its stewardship responsibilities. These included:

- establishing the strategic direction of the Corporation to implement the renewed mandate given by the Government in March 2001, through a five-year Corporate Plan. The plan, submitted for government approval each year, covers the Corporation's objectives, strategies, service standards and communication plans, as well as budgets and a borrowing plan for the coming year;
- reviewing performance and business risks in its quarterly meetings and considering major projects and other strategic issues; and
- examining the Corporation's management of its resources and preparing an annual report to the minister and to Parliament.

The Board was also intimately involved in developing and advocating the Corporation's case to its shareholder related to its need for operating and capital funding to implement its mandate.

In carrying out its duties the Board used three committees:

- an Audit Committee, consisting of three outside directors. The committee met twice during the year to review the plans for the external audit and a multi-year internal audit plan, and to review and approve the Corporation's financial statements and presentation of data in its annual report;
- a Compensation committee consisting of two outside directors, which set the President's objectives, evaluated his performance and recommended compensation adjustments under guidelines established by the Privy Council Office; and

- a Committee of the Whole, which met each time the Board was convened. This committee, chaired by an outside director, helped provide effective separation of the functions of President and Board chair, by considering all substantive matters on the Board's agenda. Its decisions were ratified by the Board under the President's chairmanship without further debate.

The Board's expenses in 2001-2002, including annual retainers and honoraria at rates approved by the government, and travel and meeting costs, totalled \$59,000. The expenses increased from the previous year due to an increase in rates authorized by the Privy Council Office and the addition of one member.

Two new members joined the Board during the year: Ms. Amelia Salehabadi, an experienced international trade lawyer, and Mr. Louis-Marie Beaulieu, an accountant and shipping executive and owner. Both were appointed by the Government for three year terms after the Board provided its criteria and a list of potential candidates to the Minister's office, via the

President. These selection criteria included export experience, sectoral knowledge, regional and gender balance and a personal skills profile. Ms. Salehabadi and Mr. Beaulieu each participated in a corporate orientation program. All members are provided with conflict of interest guidelines by the Privy Council Office and have access to training seminars for public-sector directors organized by the Conference Board of Canada.

CCC's Board and management team have established an effective working relationship in which the Board provides advice, approves strategic issues and monitors and evaluates performance and policies. In 2002-2003, the Board's key governance objectives will be to further develop its stewardship role under a separate Chairperson and to establish a new business relationship with the President in his capacity as CEO. Going forward, the Board is committed to continue offering strategic insight and guidance as CCC responds to its shareholder's direction to facilitate export growth in a commercial fashion.

Corporate governance guidelines

The Board of Directors of every Crown corporation should:

1. Explicitly assume responsibility for the stewardship of the Corporation.
2. Examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance.
3. Ensure that the Corporation communicates effectively with the Crown, other stakeholders and the public.
4. Develop an effective working relationship with management.
5. Ensure that the Board can function independently.
6. In recognition of the importance of the position of CEO, periodically assess the CEO's position and evaluate the CEO's performance.
7. Assess its effectiveness and initiate renewal of the Board.
8. Receive orientation and education programs appropriate to their needs.
9. Review the adequacy and form of compensation for directors.
10. Assume responsibility for developing the Corporation's approach to governance issues.

Government of Canada, *Corporate Governance in Crown Corporations and Other Public Enterprises*.

Performance vs. business targets

In its annual corporate plans, CCC has established targets for five key measures of business performance, as follows:

Value of orders received

	2000-2001 Results	2001-2002 Target	2001-2002 Results	2002-2003 Target
Total	\$1.338 billion	\$1.377 billion	\$1.214 billion	\$1.0 - \$1.2 billion
Excluding LAVs	\$885 million	\$885 million	\$895 million	\$900 million
LAVs	\$453 million	\$492 million	\$319 million	\$200 million

The value of orders received by CCC, or its overall business volume, includes CCC's sales to the U.S. and other countries, as well as exports supported by PPP. Sales of Light Armoured Vehicles (LAVs) manufactured by GM Defence in London, Ontario, have been segregated as they are made up of a small number of very large contracts relative to other individual sales. In 2001-2002, CCC sought to achieve a business volume of \$1.377 billion, of which \$885 million was expected to be sales other than those of armoured vehicles (LAVs). CCC surpassed this target by more than \$10 million (reaching \$895 million); the Corporation fell short, however, of its total business target by 12 percent, because some planned sales did not occur.

The growth in CCC's business, excluding LAV, was due for the most part to a larger-than-expected increase in business with the U.S. Department of Defense, generated by a surge in post-September 11 defence acquisition.

As the impacts of CCC's new fee-for-service regime and newly unbundled service offering have yet to be seen, the Corporation has set a conservative target for business volume for 2002-2003. It has been set as a range rather than a single figure, to allow for the potential impact of a few large projects.

Five-year historical review: business volume

For the year ended March 31 (in thousands)

1997-1998	\$1,020
1998-1999	\$748
1999-2000	\$1,113
2000-2001	\$1,338
2001-2002	\$1,214

Canadian companies accessing CCC services

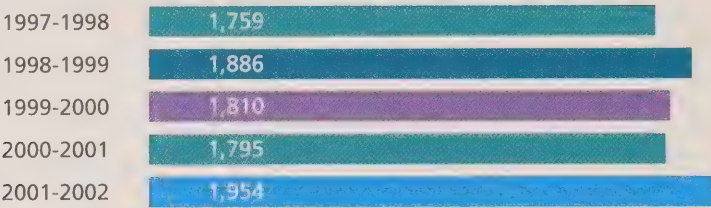
2000-2001 Results	2001-2002 Target	2001-2002 Results	2002-2003 Target
1,795	1,865	1,954	1,995

In recent years, the number of clients accessing CCC services has risen to between 1,750 and 1,950. This includes companies receiving international opportunities matched to their capabilities, those working with CCC at the bid or pre-contract stage, exporters applying to the Progress Payment Program, companies contracting with CCC, and those with open contracts from previous years.

The Corporation had set a target of 1,865 companies accessing its services for 2001-2002, based on the limits of its financial capacity. It reached and even surpassed its target by 4.7 percent, in part because a greater number of companies used CCC's U.S. bid-matching services, and because more Canadian exporters used CCC for pre-contract assistance without using the Corporation as Prime Contractor.

Five-year historical review:
Canadian companies accessing CCC services

For the year ended March 31



Exporters contracting through CCC

2000-2001 Results	2001-2002 Target	2001-2002 Results	2002-2003 Target
273	280	228	258

While pre-contract activity and the value of CCC’s non-LAV sales rose, the number of companies contracting through the Corporation fell by more than 15 percent below the year’s target and the previous year’s result. Most of the decrease occurred in the Corporation’s International contracting business outside the DPSA. The average size of CCC’s non-LAV contracts increased during the year.

Given its historically limited operating and capital resources, CCC has had to be selective in pursuing potential sales. To optimize its impact, the Corporation has tended to focus on complex projects that are labour-intensive, but which provide greater value to the buyer and exporter – as well as greater revenue to CCC – than smaller, simpler off-the-shelf procurement.

It should be noted that the surge in DPSA business experienced post-September 11 did not lead to an increase in the overall number of companies securing contracts in the U.S. The Department of Defense’s immediate requirements resulted mainly in increased or accelerated purchases of already contracted goods and services, rather than in many purchases from new sources of supply.

Additionally, a more stringent screening of applications under the Progress Payment Program was also adopted to adjust to a lack of human and risk capital resources. More suppliers are also using the PPP on multiple projects, a trend that the Corporation did not expect when it set up the program in 1995.

CCC’s increased focus on sectors outside its traditional activities remains in its early stages, and consequently has not yet materialized into significant numbers of signed contracts. The Corporation is taking additional time to perform its due diligence on those projects, to ensure that the risk taken will fall within CCC’s management framework.

In 2002-2003, CCC will aim at increasing its base of contracted suppliers. At the same time, it is ‘unbundling’ its Prime Contractor service into its component parts, which may result in some companies choosing a different menu of services to meet their particular needs.

Cost recovery and receivables discounting revenues

2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
\$4.3 million	\$3.6 million	\$5.2 million	\$5.8 million

In 2001-2002, CCC applied cost recovery to all its services except business transacted under the Canada-U.S. Defense Production Sharing Arrangement (DPSA). For prudent budget planning, the Corporation’s target of \$3.6 million for the fiscal year was based on the combined performance of the previous few years. As a result of increased client recognition of the value of CCC services in international markets, the Corporation exceeded its cost recovery and receivables discounting revenue target, achieving yet another record for this key indicator.

CCC is budgeting a further increase in revenues next year as it implements a fee-for-service regime. This will allow it to price and accept more business risk, and will permit CCC to do more SME business, in particular. The fee-for-service regime will also enable the Corporation to strengthen itself financially and thereby deliver more efficient and effective services to exporters.

Client value index

2000-2001 Results	2001-2002 Target	2001-2002 Results	2002-2003 Target
7.4 ²	7.2	7.8	7.4

2 Based on a client satisfaction-based measurement index

CCC has changed its customer-service metric from rating client satisfaction to assessing the value of CCC's services to clients. Known as the CCC Client Value Index, this new system provides the Corporation with a more effective indicator of the real benefits clients receive. It will provide the Corporation with better information to maintain and improve on its currently high client rating for services and service delivery.

In 2001-2002, CCC significantly exceeded its projected Client Value Index target of 7.2 with an overall score of 7.8. This significant increase from the previous year's score of 7.4 reflects client ratings of 8.4 for Prime Contractor service, 7.4 for pre-contracting services, and 7.8 for PPP-related services. CCC's customer survey accounted for such measures as value for service in relation to time and cost, and appropriateness of fees applied to services delivered.

Performance vs. financial targets

The Corporation measures its financial performance through the Corporate Plan via six targets:

2001-2002 net results of operations versus budget

2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
\$1.8 million	\$0	\$2.5 million	\$0.4 million

The Corporation established a balanced operating budget in 2001-2002. This was based on increased parliamentary operating appropriations, which offset rising expenditures to maintain basic operations. In fact, the Corporation recorded an operating surplus of \$2.5 million, reflecting capitalized expenditures of \$1.5 million to revitalize CCC's IT systems and greater-than-forecast cost recovery revenues. Next fiscal year, the Corporation is budgeting on a small surplus with a focus on increased generation of revenues from its clients, Canadian exporters.

Net results of operations* compared to business volume

	2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
Total Business Volume	(0.9%)	(1.1%)	(1.1%)	(1.4%)
Excluding LAV		(1.8%)	(1.5%)	(1.7%)

*Before Parliamentary appropriations

Net results of operations before Parliamentary appropriations refers to the total operating expenditures incurred by the Corporation less revenues generated from non-taxpayer sources, or the net cost to the taxpayer of CCC's operations. When this cost is compared to business volume, the resulting metric measures the Corporation's productivity in generating exports for Canada. In 2001-2002, CCC was able to maintain its cost of conducting business at the targeted level, and exceeded its target on its non-LAV business. On both counts the Corporation did well, considering its benchmark standard of two percent.

CCC anticipates a rise in this figure next year due to increased interest charges associated with the treasury management of DPSA business volume, and to the commencement of amortization charges associated with the introduction of the Corporation's revamped IT systems.

Cost recovery and other income compared to operating expenses

2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
20.1%	16.7%	24.4%	Not applicable: new metric developed

Cost recovery and other income compared to operating expenses indicates the portion of the Corporation's operating expenses funded from non-taxpayer sources. In 2001-2002, the Corporation exceeded the year's target and the previous year's result.

The Corporation has developed an improved performance metric in this area, tracking fees and receivables discounting revenues as a percentage of non-DPSA direct costs. This metric assesses CCC's financial success in its non-DPSA business, where it is able to charge fees for service. For 2002-2003, the target is 100 percent.

Time required to make payments to exporters

(number of days)

	2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
Accelerated payment program	16	15	17	15
Regular	32	30	33	30

While the Corporation discontinued its accelerated payment plan for qualified SMEs as of January 2001, it continued to measure against its targets in this area, as certain contracts under way were signed before the cut-off date, and the accelerated payment plan remained applicable to them.

In 2001-2002, the Corporation did not achieve its targets due to its limited capital structure. CCC believes that increased liquidity access in the future, through the ability to borrow commercially, will facilitate the achievement of the 2002-2003 target, which retains its historical standard.

Additional contract costs* as a percentage of business volumes

2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
0.21%	0.2%	0.03%	0.11%

* Before associated legal and other costs

The Corporation's risk standard attempts to keep additional contract costs (excluding associated legal and other costs) at less than 0.2 percent of business volumes. This reflects the Board of Directors' approved risk-tolerance level, excluding a special allocation of \$250,000 that enables CCC to take on certain SME projects that would otherwise not fit within its risk parameters.

The Corporation enjoyed an excellent year in the application of its risk-management framework and the evidence of loss in its international trade activities. Next year's target continues the Corporation's trend of prudent risk management.

Following the passage of amendments to the *Canadian Commercial Corporation Act* through which the Corporation is now in a position to price for risk, and through the injection of \$13 million in additional risk capital from the Shareholder, CCC will implement the risk management and capital allocation framework it developed in 2001-2002. This model will better enable the Corporation to participate in SME projects in which risk cannot be eliminated completely, but can instead be reduced to a tolerable level and priced accordingly.

**Provision for doubtful accounts
when compared to accounts receivable from foreign countries**

2000-2001 Result	2001-2002 Target	2001-2002 Result	2002-2003 Target
0.0%	1.0%	0.0%	1.0%

To facilitate exports, the Corporation takes trade accounts-receivable risk on behalf of exporters dealing with credit-approved foreign buyers, particularly foreign government buyers. The target of 1.0 percent for 2001-2002 is the Corporation's historic standard. CCC experienced another notable year in taking on credit risk of foreign buyers and the successful collection of the associated accounts receivable. Given its historical success with this performance indicator, the Corporation is reviewing ways to embrace structured trade accounts-receivable risk in non-traditional markets. It has re-stated last year's target for the 2002-2003 fiscal year.

Financial management discussion and analysis

Directions from the shareholder and summary of financial results

In 2001, the Government of Canada reconfirmed CCC's fundamental mandate to assist in the development of Canada's trade. At the same time, it provided direction to the Corporation to expand its business in government procurement markets, and to become increasingly self-sufficient. During the fiscal year 2001-2002, the government provided financial and legislative support for this direction. Specifically, the Corporation has received additional operating appropriations to maintain operations, as well as equity capital to strengthen its balance sheet. It also received new legislated powers enabling it to borrow commercially and to charge commercial fees, thereby expanding its capacity to assist Canadian companies to grow their export business.

In 2001-2002, CCC increased its gross revenues from operations by 22 percent over the previous year and maintained operating expenses at or below previous levels. Consequently, CCC grew its retained earnings by \$2.5 million. Cash and short-term deposits rose from \$46.8 million to \$92.1 million, and overall equity increased from \$30.1 million to \$40.7 million. The following discussion identifies the major changes and factors behind these summary results.

Results of operations

(\$ millions)	2001-2002	2000-2001
Commercial trading transactions	\$1,209.4	\$993.5
Gross margin	5.2	4.3
Net revenues	8.2	9.6
Total expenses	21.5	21.7
Parliamentary appropriations	15.8	13.8

In this year's Statement of Operations and Retained Earnings, CCC has revamped its treatment of revenues and expenses to provide a clearer picture of its principal business activities as an international trader. These are described in the *Canadian Commercial Corporation Act* as "exporting goods and commodities from Canada either as principal or agent".

Commercial trading transactions include revenue reported previously as contract billings, cost recovery and other income. This figure increased by \$216 million over 2000-2001, buoyed by the high volume of contracts signed the previous year – some of which continued to generate revenue in 2001-2002 – and by the effect of contracts signed in the current year.

The cost of contract billings has been subtracted to generate a calculation of the Corporation's Gross margin on its trading transactions. This figure, which includes cost recovery and receivables discounting revenues associated with CCC's contracts, rose from \$4.3 million to \$5.2 million, due to some larger non-DPSA contracts. As CCC implements its new legislative power to charge fees for services, management expects this figure to increase significantly over the years, increasing the Corporation's capacity to respond to client needs and explore new opportunities. CCC's objective is to become financially self-sufficient in its non-DPSA business by 2006-2007.

Net interest income generated from the Corporation's treasury activities declined by \$886,000, reflecting a substantial decline in interest rates over the year. The Corporation borrowed from the Consolidated Revenue Fund (CRF) to facilitate its working capital requirements related to DPSA

contracts, incurring interest charges of \$97,000. This requirement arose from the Corporation's policy of paying its DPSA suppliers in 30 days, while U.S. government buyers in some instances took longer to pay CCC. The Corporation was compensated through its appropriation for the resulting interest cost.

Under Department of Finance guidelines, the Corporation was able to borrow from the CRF at an average 120-day Treasury Bill rate of 2.63 percent. In future years, management plans to take advantage of its new powers to borrow commercially for this purpose.

As a result of the continuing decline in the Canadian dollar *vis-a-vis* other currencies, the Corporation recorded a small gain on its holdings of foreign currency (mainly U.S. dollars used to facilitate DPSA contracts). Management estimates that a one cent decrease in the Canadian dollar results in a foreign exchange translation gain of approximately \$250,000.

When net interest income and translation gains due to changes in foreign exchange rates were added to operating revenues, the Corporation's net revenues amounted to \$8.2 million, down from \$9.6 million in 2000-2001.

Total expenses of CCC's operations declined marginally in 2001-2002. Additional contract and related costs, which primarily occur when the cost of completing contracts exceeds contract revenue, fell from \$3.0 million to \$2.5 million. This decline occurred as a result of the reversal of earlier provisions against potential losses, which more than offset an increase in associated legal and other costs to remedy contracts and claims in dispute. As noted in the *Performance vs. financial targets* section, the Corporation keeps additional contract costs low through careful risk mitigation, but the actual figure can vary considerably from year to year. This was one of the key reasons for asking the shareholder for an addition to CCC's equity capital.

Administrative expenditures of the Corporation comprise the following major sub-categories of expenditures: workforce compensation, travel, marketing, telecommunications, information systems, rent, and charges for services provided to CCC by the Department of Public Works and Government Services (PWGSC). In 2001-2002, administrative expenditures increased by \$0.3 million due to increases in PWGSC charges of \$1.4 million, which more than offset a reduction in other expenditures of \$1.1 million. Management estimates that expenses in the 2002-2003 fiscal year will include approximately \$0.5 million in amortization of IT investments made in the last two years.

CCC received additional Parliamentary appropriations to support its ongoing operations, particularly related to upholding its obligations under the Canada-United States Defense Production Sharing Arrangements (DPSA), which represent about three-quarters of the Corporation's business volumes. The increase from \$13.9 million to \$15.8 million represents a permanent change in CCC's funding base. It replaces temporary funding which the government had provided in previous years, and will enable the Corporation to assist Canadian firms to respond to the growth in U.S. security and defence requirements that has arisen since September 11th.

Cash flow analysis

Cash provided by (\$ millions)	2001-2002	2000-2001
Operating activities	\$13.0	\$95.8
Investing activities	\$11.4	(109.9)
Financing activities	\$20.5	13.9

As described in the Corporation's Cash flow statement, cash and short-term deposits at March 31st, 2002 were close to double their level in the previous year. This was the result of three main sets of activities. First, cash provided by operating activities contributed \$13.0 million to cash flow, down from \$95.8 million in 2000-2001. In that previous year the Corporation received significant sums from certain foreign customers for investment until called upon to service export projects. Normally, CCC's annual cash flow from operations is negative, because of the Corporation's payment policies on its DPSA business.

The profile of cash provided by investing activities was similarly influenced by large investments on behalf of foreign customers in 2000-2001, with modest net redemptions of securities in 2001-2002. The interest generated from these monies accrued to the foreign parties' benefit. These investments are expected to be liquidated in 2002-2003. The Corporation also spent \$2.2 million in the acquisition of its new information technology systems. Cash provided by financing activities amounted to \$20.5 million for the year ended March 31, 2002, compared to \$13.8 million for 2001. The increase reflected the Corporation's borrowing of \$10 million.

Balance sheet

(\$ millions)	2001-2002	2000-2001
Total assets	\$674.8	\$573.5
Equity of Canada	40.7	30.1

Total assets increased to \$674.8 million at March 31st, 2002, up \$101.3 million from the previous fiscal year-end. This reflects the increase in commercial trading transaction activity experienced by the Corporation in 2001-2002.

As an international trade intermediary, CCC for the most part offsets its trading-related assets with matching liabilities. Accounts receivable from foreign customers and progress payments to Canadian exporters on the assets side of the balance sheet are largely offset by accounts payable and accrued liabilities to Canadian exporters and progress payments from foreign customers. In certain programs, however, (such as sales under the DPSA) the Corporation does have a need for other sources of working capital to bridge timing differences between its payables and receivables. CCC's new power to borrow commercially up to \$90 million will provide it with useful flexibility to manage such variations. In the next fiscal year, the Corporation will be seeking authority from the Minister of Finance to borrow up to \$40 million.

CCC's capital assets increased by \$1 million in 2000-2001 and a further \$1.5 million in 2001-2002. This was the result of investment in the overhaul of the Corporation's information technology systems, which had become technologically obsolete. CCC is working to make the new systems operationally effective early in 2002-2003, and does not anticipate significant new expenditures to be required for a few years.

The equity of Canada in CCC increased by a third in 2001-2002 due to the government's \$8 million equity contribution and the Corporation's operating surplus of \$2.5 million. A repayable working capital appropriation advanced to the Corporation in 1999-2000 was converted by the government to non-repayable status. This strengthening of the balance sheet will increase CCC's capacity to support exports in two ways: 1) by backstopping a larger volume of normal commercial projects; and 2) by enabling the Corporation to contemplate higher-risk SME projects as part of a larger portfolio.

Outlook for 2002

As CCC adjusts to a more commercial orientation and implements its new IT systems in the next fiscal year, it faces three major areas of business risk: transaction risk, revenue risk and technology risk.

Transaction risk

In its role as an export contracting agency, CCC facilitates export transactions on behalf of Canadian companies where it can do so within its risk-tolerance levels. (Note 7(b) to the Financial Statements, "Risk Management", outlines how the Corporation manages performance and credit risk). With a mandate to become more commercially oriented and self-sufficient, CCC must balance its objective

of increasing revenues against its somewhat enhanced capacity to absorb transaction risk. While the Corporation has a healthy pipeline of potential projects, exporters – particularly SMEs – may well expect it to take on more uncovered risk than it has in the past if they are to pay more commercial fees.

In response to this problem, CCC is offering a new suite of discrete, ‘unbundled’ export services. These provide specifically what an exporter may need to win a sale, without CCC necessarily taking on performance or credit risks as a Prime Contractor. The Corporation has also implemented a risk-capital allocation framework to price for risk exposure in SME transactions, and will increase its additional contract cost budget for next year by 33 percent.

Revenue risk

As authorized by the coming into force of amendments to its governing Act, CCC implemented a new fee-for-service regime associated with its new service offerings. This regime became effective April 22nd, 2002.

CCC’s new fee structure is based on having clients pay for pre-contract services as they are used, rather than on having them pay for CCC’s labour cost only when a contract is won. Where previously the Corporation was limited to recovery of actual costs, its fee structure may now more explicitly include elements of compensation for risk and value to the customer. Both the new service offerings and the fee-for-service regime were introduced after consultations with clients.

The Corporation will have to gauge a number of risks associated with meeting its revenue targets, including:

- price acceptance by clients, particularly previous clients who were used to paying on a contingency-fee basis;
- overall demand for the Corporation’s new service offerings and the possibility that these offerings might cannibalize CCC’s traditional Prime Contractor service;
- the Corporation’s continued ability to deploy staff with skillsets matched to customer demands; and
- the cultural change of moving from a less commercial approach to an increasingly private-sector approach that includes tracking and billing time associated with export projects.

Management has allocated \$800,000 in supplemental marketing and human resource expenditures to address these potential risks.

Technology risk

The Corporation will implement its new information-technology system, known as Spectrum, early in the 2002-2003 fiscal year. This system integrates the Corporation’s operations, finance and marketing activities. It will also enable CCC to engage in e-commerce. Staff will require considerable time to learn and utilize Spectrum’s tools effectively – without having a negative impact on the Corporation’s achievement of its business and financial targets. Consequently, management has implemented a number of risk mitigators – such as on-site trouble-shooters and extensive course training – to ensure that the system rapidly contributes to the efficiency and effectiveness of CCC’s performance.

Operating budget

Taking into account the above risks, CCC plans for net results of operations of approximately \$400,000 next fiscal year, based on commercial trading transaction revenues between \$1.0 billion and \$1.2 billion. Management has budgeted to receive \$7.0 million from fees for service, interest and other income as well as \$15.8 million from parliamentary appropriations for operating purposes. It will manage administrative expenditures carefully and reduce non-critical operating costs in excess of \$1 million to reallocate funds and address its business risks.

Performance measures

Other than those targets listed elsewhere, the Corporation has adopted the following to measure its performance in the 2002-2003 fiscal year:

Performance measure	2002-2003 Target
Number of training days per employee	7
Voluntary turnover rate	<10%

Training and ongoing professional development are always critical in highly skilled, knowledge-based organizations such as CCC. Such activities will be especially important in 2002-2003 as the Corporation implements its fee-for-service regime and its new information technology system. Extensive training has been planned to enable staff to meet the challenges ahead and support the broader corporate objectives. The Corporation has established a performance metric of 7 training days per employee for this year.

Maintaining a staff turnover rate below 10 percent will allow CCC to leverage its investments in the development of human resources. The Corporation's integrated human resources strategy addresses key retention factors such as ensuring effective leadership, providing job challenge and promoting employee recognition.

Conclusion

The proactive mandate given to the Corporation by its shareholder to assist Canadian exporters on an increasingly commercial basis will be fully implemented in 2002-2003. The Corporation is confident it can meet the challenges and risks noted above and provide a significant contribution to Canada's export performance.

Five-year historical review of performance indicators

for the year ended March 31

Financial performance indicators	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2001-2002 Target
Additional contract costs as a % of business volume	0.1	0.1	0.3	0.2	0.0	0.1
Provision for doubtful accounts as a % of accounts receivable	0.0	0.0	0.0	0.0	0.0	1.0
Time required to make payment to exporters						
Regular payments	*23 days	31 days	31 days	32 days	33 days	30 days
Accelerated Payment Program	–	17 days	16 days	16 days	17 days	15 days
Net results of operations as a % of business volumes**	(1.0)	(1.3)	(1.1)	(0.9)	(1.1)	(1.4)
Business performance indicators	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2001-2002 Target
Clients served	1,759	1,883	1,810	1,795	1,955	1,865
Companies signing contracts through CCC	275	276	280	273	236	280
Business volumes	\$1.020 B	\$0.748 B	\$1.113 B	\$1.338 B	\$1.214 B	\$1,377 B

* For the year 1997-1998 the results were based on a weighted average of regular payments and accelerated payment program.

** Before parliamentary appropriations

Five-year historical review of revenues and expenses

for the year ended March 31 (in thousands of dollars)

Revenues	1997- 1998	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2001- 2002 Op. Budget
Commercial trading transactions	955,218	790,686	901,465	993,569	1,209,482	1,377,321
Interest income, net of interest expense	1,044	1,650	2,256	3,445	2,559	2,075
Foreign exchange gain (loss)	495	1,040	(728)	1,855	434	(250)
Parliamentary appropriations	10,738	10,443	12,548	13,869	15,831	15,734
Expenses	1997- 1998	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2001- 2002 Op. Budget
Cost of commercial trading transactions	953,253	788,709	897,726	989,216	1,204,227	1,373,750
Additional contract and related costs:						
Additional contract costs	261	1,057	3,345	2,876	397	950
Legal fees and other costs	428	293	216	155	2,146	450
Administrative expenses:						
Services provided by Public Works and Government Services Canada	3,701	3,083	3,700	4,155	5,507	5,200
Other administrative expenses	9,587	10,027	10,363	14,553	13,500	14,518
Net results of operations	265	650	191	1,783	2,529	12

Financial statements and notes



Management responsibility for financial statements

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing her report thereon.



Douglas Patriquin
President



Paul J. Thoppil, CA
Vice President, Risk and Financial Services

Ottawa, Canada
May 31, 2002

Auditor's report

To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2002 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada
Ottawa, Canada
May 31, 2002

Balance sheet

as at March 31 (in thousands of dollars)

Assets	2002	2001
Cash and short-term deposits (Note 3)	\$ 92,123	\$ 46,782
Segregated investments (Note 4)	101,895	115,504
Accounts receivable (Note 5)	211,027	230,615
Receivable from the Government of Canada	13,431	145
Advances to Canadian exporters	61,713	54,645
Progress payments to Canadian exporters	192,024	124,762
	672,213	572,453
Capital assets	2,550	1,024
	\$ 674,763	\$ 573,477
Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 242,731	\$ 232,971
Loan from the Government of Canada (Note 6)	10,000	—
Advances from foreign customers	183,471	180,465
Progress payments from foreign customers	191,497	124,721
Provision for additional contract and related costs (Note 8)	5,406	4,186
	633,105	542,343
Employee severance benefits	988	993
	634,093	543,336
Contingencies (Note 9)		
Equity of Canada		
Repayable working capital appropriation (Note 10)	—	5,000
Contributed surplus (Note 1 and 10)	28,000	15,000
Retained earnings	12,670	10,141
	40,670	30,141
	\$ 674,763	\$ 573,477

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



President



Director

Statement of operations and retained earnings

for the year ended March 31 (in thousands of dollars)

Revenues

	2002	2001
Commercial trading transactions (Note 11)	\$ 1,209,482	\$ 993,569
Less: Cost of commercial trading transactions	1,204,227	989,216
Gross margin	5,255	4,353
Net interest income	2,559	3,445
Gain on foreign exchange	434	1,855
Net Revenues	8,248	9,653

Expenses

Additional contract and related costs	2,543	3,031
Administrative expenses	19,007	18,708
Total expenses	21,550	21,739
Net results of operations before Parliamentary appropriation	(13,302)	(12,086)
Parliamentary appropriation (Note 10)	15,831	13,869
Net results of operations	2,529	1,783
Retained earnings at beginning of year	10,141	8,358
Retained earnings at end of year	\$ 12,670	\$ 10,141

The accompanying notes are an integral part of the financial statements.

Cash flow statement

for the year ended March 31 (in thousands of dollars)

	2002	2001
Cash flows from operating activities		
Receipts from foreign customers	\$ 1,294,069	\$ 1,119,027
Interest received	2,452	3,376
Cost recovery and other income received	5,432	4,171
Payments to Canadian exporters	(1,269,904)	(1,012,391)
Administrative payments	(19,053)	(18,426)
Cash provided by operating activities	12,996	95,757
Cash flows from investing activities		
Purchase of capital assets	(2,243)	–
Purchases of short-term deposits	(101,895)	(121,186)
Redemptions of short-term deposits	115,504	11,258
Cash provided (used) in investing activities	11,366	(109,928)
Cash flows from financing activities		
Parliamentary appropriation-operating	10,545	13,869
Loan from the Government of Canada	10,000	–
Cash provided by financing activities	20,545	13,869
Effect of exchange rate changes on cash and short-term deposits	434	1,855
Increase in cash and short-term deposits	45,341	1,553
Cash and short-term deposits at beginning of year	46,782	45,229
Cash and short-term deposits at end of year	\$ 92,123	\$ 46,782

The accompanying notes are an integral part of the financial statements.

Notes to financial statements

March 31, 2002

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation" or "CCC") was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign customers, foreign governments, international organizations, or private sector buyers, wish to purchase products and services from Canada through the Canadian Government. Contracts are made with these foreign customers and corresponding supply contracts are entered into with Canadian exporters by the Corporation.

Parliament has approved the Corporation with \$28 million as contributed surplus. Annually, the Corporation's operations are funded primarily through a combination of parliamentary appropriations, interest income, cost recovery and receivable discounting revenues.

The Corporation is not subject to the provisions of the *Income Tax Act*.

On April 19, 2002, the *Canadian Commercial Corporation Act* was amended. The amendments to the Act permit the Corporation to borrow from the Consolidated Revenue Fund or other sources for an amount not to exceed \$90 million (previously \$10 million), to charge fees (including risk premiums) for services rendered, and to separate the position of Chairman and President.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its commercial trading revenues, and related costs, when a delivery has taken place thus passing title to the foreign customer, or, in the case of progress payments, upon acceptance of progress billings from Canadian exporters for work performed.

Progress payments, where allowed, represent payments from foreign customers and to Canadian exporters on contracts associated with the work performed on a contract leading up to delivery. Usually these payments represent up to 75 per cent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and to Canadian exporters represent a down payment made at the outset of the contract, before any work has been performed.

The Corporation recovers its costs on a number of its contracts, mainly international sales. Its ability to recover costs is governed by the *Canadian Commercial Corporation Act* and international agreements. Amounts are recognized in commercial trading revenues as earned when:

- (1) deliveries have been made by the Canadian exporter; or
- (2) substantial work has been performed by the Canadian exporter in the case of progress payments.

Notes to financial statements

March 31, 2002

Receivable discounting revenues are revenues generated by the Corporation based on the difference between the amount the Corporation pays to the Canadian exporter and the amount the Canadian exporter originally billed the Corporation. These revenues are recognized as earned at the time of the payment to the Canadian exporter.

Additional contract and related costs are costs incurred primarily as a result of Canadian exporters failing to fulfil their obligations to the Corporation, which are determined on a contract-by-contract basis, and associated legal and other costs. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Working capital is maintained in currencies other than Canadian dollars to facilitate cash flows between foreign customers and Canadian exporters.

(c) Capital assets

Capital assets, primarily costs associated with the design and development of information systems are recorded, when significant, after technological feasibility is established. It is expected amortization will commence in fiscal year 2002-2003.

(d) Parliamentary appropriations

Parliamentary appropriations are recorded as funding in the year for which they are appropriated except where they are in the nature of contributed capital.

(e) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are 2.14 times the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(f) Employee severance benefits

Employees of the Corporation are entitled to specified severance benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee severance benefits is estimated by management based on current entitlements.

Notes to financial statements

March 31, 2002

3. Cash and short-term deposits

As at March 31, 2002, cash and short-term deposits include:

Year ended March 31 (in thousands)		2002		2001	
		Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	\$	17,407	\$ 17,407	\$ 23,669	\$ 23,669
U.S. dollars		46,252	73,734	6,848	10,802
Australian dollars		422	358	15,076	11,612
German deutsche mark		—	—	396	281
British pound sterling		147	334	187	418
Eastern Caribbean dollars		487	290	—	—
			\$ 92,123		\$ 46,782

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2002, the average term to maturity of short-term deposits was 3 days (2001 - 3 days). The overall portfolio yield at March 31, 2002 was 1.92% (2001 - 5.25%). Cash and short-term deposits are recorded at cost which approximates fair value.

Of the cash and short-term deposits, \$14,889,000 (2001 - \$30,066,000) represents funds received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. Segregated investments

The Corporation holds significant advances from foreign customers or Canadian exporters which, upon demand by one of the contractual parties, are segregated and invested separately from the Corporation's cash and short-term deposits. In these instances, interest earned is credited to the benefit of the respective foreign customer or Canadian exporter.

Segregated investments are short-term deposits in Canadian Schedule A or B banks and are made up of the following:

Year ended March 31 (in thousands)		2002			2001		
		Canadian dollars	Days to maturity	Yield	Canadian dollars	Days to maturity	Yield
Investment A	\$	2,764	25	1.65%	\$ 5,682	30	5.18%
Investment B		99,131	2	2.75%	109,822	96	4.50%
		\$ 101,895			\$ 115,504		

Notes to financial statements

March 31, 2002

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except for accounts payable to certain small-medium enterprises with contracts signed prior to January 2001. Where these contracts have not been completed, related accounts payable are paid within 15 days.

6. Loan from the government of Canada

Prior to April 19, 2002, the Corporation had authority to draw loans from the Consolidated Revenue Fund, subject to Governor-in-Council and Minister of Finance approvals, in amounts up to a total of \$10 million as required to supplement its working capital.

During the year, the Corporation was able to borrow amounts for up to 120 days at the Consolidated Revenue Fund lending rate to Crown corporations which equals the latest available interest rate on comparable term Treasury bills plus 1/8 of 1%. Of the \$10 million outstanding as at March 31, 2002, \$1.5 million is due to be paid on April 26, 2002 bearing an interest rate of 2.12% and \$8.5 million is due to be paid on July 21, 2002 bearing an interest rate of 2.28%.

7. Contractual obligations and risk management

(a) Contractual obligations and indemnities

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2002, the total contract value remaining to be fulfilled approximates \$2.3 billion (2001 - \$2.2 billion).

Under the Progress Payment Program, the Corporation indemnifies participating banks for amounts they have advanced to Canadian exporters. The Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2002 is \$6,050,000 (2001 - \$8,245,000).

Under a specific series of contracts, the Corporation also indemnifies a bank for amounts it has advanced to Canadian exporters. The Corporation has access to a number of commercial securities should the foreign party fail to repay amounts owed. The amount of outstanding indemnities as of March 31, 2002 is \$45,773,000 (2001 - \$33,782,000).

(b) Risk management

In every contract that the Corporation enters into on behalf of Canadian exporters, the Corporation is subject to a number of risks, including but not limited to: Canadian exporter performance risk; foreign customer credit risk; and foreign exchange risks. The Corporation's Board of Directors has approved a comprehensive risk management framework, which is designed to identify potential risks in the contract and propose mitigating measures to substantially reduce the Corporation's risk.

In terms of Canadian exporter performance risk, the Corporation enters into supply contracts with Canadian exporters after conducting a review of the exporter's financial, managerial, and technical capabilities and the foreign contract's terms and conditions. Depending upon the results of the review, the Corporation may seek additional securities from the Canadian exporter.

In terms of foreign customer credit risk, the Corporation generally extends open account terms to parties with a credit rating of at least AAA, and seeks security where the rating falls below this threshold.

To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally entered into in the same currency. The Corporation uses this and other techniques to effectively transfer the currency risk to the Canadian exporter.

Notes to financial statements

March 31, 2002

8. Provision for additional contract and related costs

The Corporation may incur additional contract and related costs should Canadian exporters not fulfil the terms of their contracts. The Corporation has recorded a provision of \$5,406,000 as of March 31, 2002 (2001 - \$4,186,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

9. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

Amounts, if any, payable on claims by the Corporation will be recorded in the year in which they can be determined.

10. Parliamentary appropriations

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of \$23,831,000 (2001- \$13,869,000). A portion of the amount authorized in the year, \$8,000,000, was for equity purposes and thus was accounted for as contributed surplus.

The \$5,000,000 recognized in the prior year as a repayable working capital appropriation, originally scheduled to be returned to the Consolidated Revenue Fund effective April 1, 2002, was converted into contributed surplus as approved by the Treasury Board on December 12, 2001.

In 2000-2001, \$2,900,000 of CCC's parliamentary appropriations to fund operating costs was considered by Treasury Board to be an advance recoverable with interest (\$258,000 reflecting an interest rate of 5.94%) through a reduction in the Corporation's 2002-2003 appropriation. On December 12, 2001, the Treasury Board decided to waive the requirement for the Corporation to repay the recoverable advance with accrued interest.

11. Commercial trading transactions

Commercial trading transactions arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, which include governments, international agencies and other buyers throughout the world, were distributed as follows:

Year ended March 31 (in thousands of dollars)	2002	2001
U.S. government and other buyers	\$ 908,351	\$ 750,456
Other foreign governments and buyers	270,674	220,294
United Nations agencies	30,457	22,819
	\$ 1,209,482	\$ 993,569

Commercial trading transactions include cost recovery and other income of \$5,255,000 for the year ended March 31, 2002 (2001- \$4,353,000).

Notes to financial statements

March 31, 2002

Commercial trading transactions are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2002 amounted to \$1.2 billion (2001 - \$1.3 billion).

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost.

For the year ended March 31, 2002 the cost of these services amounted to \$5,507,000 (2001 - \$4,155,000) and are included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is not practicable to determine the cost of these services. Accordingly, the value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice provides legal services to the Corporation and represents it in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2002 the cost of legal fees and expenses in the amount of \$276,000 (2001 - \$255,000) are included in administrative expenses, and in the amount of \$396,000 (2001 - \$155,000) are included in additional contract and related costs.

As a result of all related party transactions, the amounts due from and to these parties are \$9,000 (2001 - \$350,000) and \$370,000 (2001 - \$147,000) and are included in accounts receivable and accounts payable respectively.

13. Lease commitments

Future minimum payments by fiscal year on operating leases for premises are as follows:

2002-2003	\$ 926,000
2003-2004	905,000
2004-2005	789,000
2005-2006	396,000
	\$ 3,016,000

14. Comparative figures

Certain 2000-2001 figures have been reclassified to conform with the current year presentation to reflect the Corporation's more commercial orientation under its amended Act.

Board of Directors

As of March 31, 2002



(from left to right)

Louis-Marie Beaulieu, FCA *
*Chairman of the Board
and Chief Executive Officer
Groupe Desgagnés Inc.
Québec, Québec*

Andrew Saxton *
*Deputy Chairman
Allied Hotels
Vancouver, British Columbia*

Wendy Morris
*Chairman of the Board
of Directors
Morris Industries
Edmonton, Alberta*

David W. Stapley +
*President
DRS Flight Safety and
Communications
Carleton Place, Ontario*

Douglas Patriquin
*President and Chairman
Canadian Commercial Corporation
Ottawa, Ontario*

Amelia Salehabadi
*Lawyer
Groupe Conseil Salehabadi
Melançon
Montréal, Québec*

John Gero
*Assistant Deputy Minister
International Business and
Chief Trade Commissioner
Foreign Affairs and
International Trade Canada
Ottawa, Ontario*

John Banigan *+
*Assistant Deputy Minister
Industry Sector
Industry Canada
Ottawa, Ontario*

* member of Audit Committee + member of Compensation Committee

CCC Officers



(from left to right)

Douglas Patriquin
President

Paul Thoppil, CA
*Vice-President
Risk and Financial Services*

Sharon Fleming
*Vice-President
Human Resources
and Administration*

Hugh O'Donnell
*Executive Vice-President
Business Development
and Operations*

Tamara Parschin-Rybkin, QC
*Corporate Counsel and
Secretary to the Board*

Emechete Onuoha
*Vice-President
Corporate Strategy*

Canadian exporters contracting through CCC in 2001-2002

Canadian Suppliers with Contracts or Amendments

3M Canada Company Brockville, Ontario	Banner Pharmacaps (Canada) Ltd. Olds, Alberta	Consulting and Audit Canada, International Services Division Ottawa, Ontario	Flags Unlimited Barrie, Ontario
49th Apparel Inc. Winnipeg, Manitoba	Barer Engineering Co. Montréal, Québec	DAC Aviation International Ltd. Montréal, Québec	Fleet Industries Ltd. Fort Erie, Ontario
ABB BOMEM Inc. Québec, Québec	Bartech Holdings Power River, British Columbia	DRS Flight Safety & Communications Kanata, Ontario	Gallium Software Inc. Ottawa, Ontario
ADM Agri Industries Ltd. Windsor, Ontario	Beavers Dental Morrisburg, Ontario	DRS Flight Safety & Communications Carleton Place, Ontario	Gastops Gloucester, Ontario
AMEC Dynamic Structures Ltd. Port Coquitlam, British Columbia	BioDentistry Systems Corporation Ottawa, Ontario	Industries Davie Lévis, Québec	General Dynamics Canada Ltd. Nepean, Ontario
ASL Environmental Sciences Sidney, British Columbia	Bombardier Inc. Kingston, Ontario	Defence Research Establishment Suffield Ralston, Alberta	General Dynamics Canada Ltd. Calgary, Ontario
ASR Technologies Inc. Ottawa, Ontario	Bradley Air Services Limited Carp, Ontario	Department of National Defence, DDSAL Hull, Québec	General Hot Oilers Inc. Red Deer, Alberta
Accucaps Industries Windsor, Ontario	Bristol Aerospace Limited Winnipeg, Manitoba	Derlan Aerospace Canada Ltd. Milton, Ontario	General Kinetics Engineering Corporation Brampton, Ontario
Acro Aerospace Inc. Richmond, British Columbia	Burden's Services Ltd. Goose Bay, Newfoundland & Labrador	Dieco Technologies Ltd. Brampton, Ontario	General Motors of Canada Limited London, Ontario
Active Systems Inc. Ottawa, Ontario	CAE Saint-Laurent, Québec	Diemaco Inc. Kitchener, Ontario	General Switchgear & Controls Ltd. Vaughan, Ontario
Acton International Inc. Acton Vale, Québec	CMC Electronics Inc. Saint-Laurent, Québec	Donlee Precision Toronto, Ontario	Genix Technology Vancouver, British Columbia
Adlair Aviation Ltd. 1983 Yellowknife, Northwest Territories	CMC Electronics Inc. Ottawa, Ontario	Dorothea Knitting Mills Ltd. Toronto, Ontario	Global Thermoelectric Inc. Calgary, Alberta
Agricore East Special Crops Carman, Manitoba	CTF Systems Inc. Port Coquitlam, British Columbia	DupontTrolley Industries Québec, Québec	Goodrich Landing Systems Services Burlington, Ontario
Air Data Inc. Mont-Royal, Québec	C.Y.M.C. Inc. Concord, Ontario	EBCO Technologies Inc. Richmond, British Columbia	Grace Bioremediation Technologies Mississauga, Ontario
Air Labrador Goose Bay, Newfoundland & Labrador	CableTest Systems Inc. Markham, Ontario	ELCAN Optical Technologies Midland, Ontario	Grant Systems Engineering Inc. King City, Ontario
Air-Sea Exchange Analysis Services (ASEAS) Brookside, Nova Scotia	Calian Technology Ltd. Kanata, Ontario	Eli Eco Logic International Inc. Rockwood, Ontario	Hanover Kitchens Inc. Hanover, Ontario
Aircraft Appliances and Equipment Ltd. Bramalea, Ontario	Cametoid Limited Whitby, Ontario	Eagle-Picher Energy Products Corporation Surrey, British Columbia	Hard Suits Inc. North Vancouver, British Columbia
Aklak Air Inuvik, Northwest Territories	Canadian Helicopters Limited (East) Les Cèdres, Québec	Eagle-Picher Energy Products Corporation North Vancouver, British Columbia	Hermes Electronics Inc. Dartmouth, Nova Scotia
Aluminum Foundry & Pattern Works Ltd. Dorval, Québec	Canadian Helicopters Limited Edmonton, Alberta	Eclipse Technologies Nanaimo, British Columbia	Hewlett-Packard (Canada) Ltd. Mississauga, Ontario
Anachemia Canada Inc. Saint-Pierre, Québec	Carleton Life Support Technologies Ltd. Mississauga, Ontario	Enclosures Direct Inc. Nepean, Ontario	Hitesi Products Inc. Saint-Laurent, Québec
Angstrom Engineering Inc. Cambridge, Ontario	Casavant Frères Saint-Hyacinthe, Québec	Expro Chemical Products Inc. Saint-Timothée, Québec	Honeywell ASCa Inc. Mississauga, Ontario
Armtec Guelph, Ontario	Cercast Incorporated Laval, Québec	FAG Bearings Limited Stratford, Ontario	Honeywell Aerospace Inc. Saint-Laurent, Québec
Arvin Ride Control Products Inc. Toronto, Ontario	Chemac Industries Inc. Vernon, British Columbia	FAG Bearings Limited Mississauga, Ontario	Honeywell Limited Ottawa, Ontario
AtenPac Corporation Mississauga, Ontario	Clientronics Inc. Edmonton, Alberta	FREDDY Products Inc. Saint-Hyacinthe, Québec	Hurley Slate Works Company Inc. Manuels, Newfoundland & Labrador
Atlantis Systems International Inc. Brampton, Ontario	Communications & Power Industries Canada Inc. Georgetown, Ontario	FSI International Services Ltd. Calgary, Alberta	Heroux-Devtek Inc. Longueuil, Québec
Austin Insulators Inc. Mississauga, Ontario	CompuSmart Ottawa Nepean, Ontario	FTG-Edgelit Toronto, Ontario	ICN Canada Ltd. Montréal, Québec
Automatic Coating Ltd. Toronto, Ontario	Connors Brothers Limited Saint John, New Brunswick		IMP Aerospace Components Ltd. Amherst, Nova Scotia

M.P. Aerospace Avionics Division Halifax, Nova Scotia	MMIST Mobility Integrated Systems Technology Inc. Nepean, Ontario	Orenda Aerospace Corporation Mississauga, Ontario	Soheil Mosun Ltd. Toronto, Ontario
MP Group International Inc. Enfield, Nova Scotia	MTU Maintenance Canada Ltd. Richmond, British Columbia	Orgues Létourneau Ltée Saint-Hyacinthe, Québec	Soucy International Inc. Drummondville, Québec
MP Group International Inc. Halifax County, Nova Scotia	MacDonald Dettwiler Space and Advanced Robotics Ltd. Brampton, Ontario	P.J. Hannah Equipment Sales Corp. Surrey, British-Columbia	Soucy Techno Inc. Rock Forest, Québec
RT Corporation Ingersoll, Ontario	MacDonald Dettwiler and Associates Ltd. Richmond, British Columbia	Parent Seed Farms Ltd. St. Joseph, Manitoba	Spar Aerospace Limited Mississauga, Ontario
Strat Corporation Carleton Place, Ontario	Madelimer Inc. Grande Entrée, Québec	PerkinElmer Optoelectronics Vaudreuil, Québec	Sparton Corp. London, Ontario
dal Technologies Inc. Mississauga, Ontario	Magma Communications Ltd. Nepean, Ontario	Pharmascience Inc. Montréal, Québec	Spirent Systems Gloucester, Ontario
ustrial Rubber Co. Ltd. Bathurst, New Brunswick	Magneto-Inductive Systems Limited Dartmouth, Nova Scotia	Pivotal Power Bedford, Nova Scotia	Standard Aero Ltd. Winnipeg, Manitoba
ine Fiberglass Ltd. Etobicoke, Ontario	Marathon Watch Company Limited Richmond Hill, Ontario	Poly-Pacific International Inc. Edmonton, Alberta	Swiftsure Spatial Systems Inc. Victoria, British-Columbia
O (National Optics Institute) Sainte-Foy, Québec	Mark Blevis Ottawa, Ontario	Pratt & Whitney Canada Inc. Longueuil, Québec	Teleflex (Canada) Ltd. Richmond, British-Columbia
eractive Visualization Systems Fredericton, New Brunswick	Measurements International Ltd. Prescott, Ontario	Pro-Safe Fire Training System Inc. Nobel, Ontario	Tokmakjian Limited Milton, Ontario
ernational Centre for Human Source Management Pickering, Ontario	Mecair Inc. Pointe Claire, Québec	Professional Machine Service Markham, Ontario	Tri-Star Industries Limited Yarmouth, Nova Scotia
ernational Civil Aviation Organization Montréal, Québec	Med-Eng Systems Inc. Ottawa, Ontario	Purifics Environmental Technologies Inc. London, Ontario	Uni-Ram Corporation Markham, Ontario
ernational Interior Specialists Inc. Markham, Ontario	Menasco Aerospace Oakville, Ontario	PyroGenesis Inc. Montréal, Québec	Unitron Industries Ltd. Kitchener, Ontario
ernational Thermal Research Ltd. Richmond, British Columbia	Merrill Engineering Ltd. Delta, British Columbia	Quali Metal Inc. Québec, Québec	University of Alberta Edmonton, Alberta
Tech Design Inc. Saint-Laurent, Québec	Messier-Dowty Inc. Ajax, Ontario	Refrigerant Services Inc. Dartmouth, Nova Scotia	University of Calgary Calgary, Alberta
air Compressors Inc. Delta, British Columbia	MetalCraft Marine Inc. Kingston, Ontario	Regor Inc. Montréal, Québec	Valcom Ltd. Guelph, Ontario
O Unisson Metal Products and Metdor aval, Québec	Micro Optics Design Corporation Moncton, New Brunswick	Robotsearch Software Inc. Kanata, Ontario	Various Items Inc. Ottawa, Ontario
-Train Research Inc. ingston, Ontario	Mitrade International Inc. Montréal, Québec	Rolls-Royce Canada Limited Lachine, Québec	Vêtements Stenis Inc. Le Gardeur, Québec
sler Tech Canada Ltd. Saint-Laurent, Québec	Moblesource Industries Inc. Woodstock, Ontario	Roy Legumex Ltd. St. Jean-Baptiste, Manitoba	Visual Insights Canada Inc. Toronto, Ontario
H Inc. Mont-Royal, Québec	Mustang Survival Corp. Richmond, British-Columbia	SED Systems Inc. Saskatoon, Saskatchewan	Volvo Motor Graders Limited Goderich, Ontario
Systems Inc. Saint-Laurent, Québec	Muttluks Inc. Toronto, Ontario	SNC Technologies Inc. Le Gardeur, Québec	Vulkan Harex Steelfiber (North America) Inc. Brantford, Ontario
otix Automation Inc. eterborough, Ontario	NDT Technologies Inc. Baie D'Urfe, Québec	SNT-Satcomm Networking Technology Inc. Saint-Laurent, Québec	Wajax Industries Limited Mississauga, Ontario
rk Network Associates Inc. orth, Ontario	Nanaktek Corporation Brampton, Ontario	Satlantic Inc. Halifax, Nova Scotia	Walbar Canada Inc. Mississauga, Ontario
Entreprises Albert Cloutier Ltée. int-Raymond, Québec	Natural Resources Canada Ottawa, Ontario	Scepter Corporation Scarborough, Ontario	Waltek Motor Trucks Inc. Anjou, Québec
ing Industries Inc. oodbridge, Ontario	Neptec Design Group Limited Kanata, Ontario	Schreiner Target Services Canada Ltd. Medicine Hat, Alberta	Wescam Inc. Burlington, Ontario
n Systems Canada ronto, Ontario	Nordic Systems Inc. Mississauga, Ontario	Serco Facilities Management Inc. Happy Valley, Goose Bay Newfoundland & Labrador	West Heights Manufacturing Kitchener, Ontario
heed Martin Canada ontréal, Québec	Norland Canada Inc. Dorval, Québec	Shell Canada Products Limited Calgary, Alberta	Wibel Aerospace Inc. Slemon Park, Prince Edward Island
s Industries Canada Limited ontréal, Québec	Olympic Gear and Manufacturing Inc. Bramalea, Ontario	Simunition Le Gardeur, Québec	Wire Rope Industries Ltd. Pointe Claire, Québec
Fog Generators ontréal, Québec	Optech Inc. North York, Ontario	Sir Sandford Fleming College Peterborough, Ontario	Woodward Group of Companies Goose Bay, Newfoundland & Labrador
Aero Support Corporation tawa, Ontario	Optotek Limited Kanata, Ontario	SkyWave Mobile Communications Inc. Kanata, Ontario	Wright Environmental Management Inc. Richmond Hill, Ontario
Aero Support Corporation nt-Laurent, Québec			

Customers contracting through CCC in 2001-2002 (by country)

Argentina

- Consejo Federal de Inversiones

Australia

- Australian Department of Defence
- Director, Weapons and Vehicle Procurement
- Commonwealth of Australia
- Embassy of Australia in the United States

Austria

- Republik Österreich

Bahamas

- Ministry of Public Works

Bermuda

- Precision Somers Joint Venture
- The Bermuda Regiment

Brazil

- Geoid Ltd.
- Sky Land Sistemas Ltda

Chile

- Codelco (Corporación Nacional del Cobre de Chile)

China

- Beijing BCEG
- Boasteel Group International Trade Corporation
- China Metallurgical
- China Petroleum Technology and Development Corporation
- China Xinxing Import and Export Corporation
- Jinan Steel International Trade Co. Ltd.

Colombia

- Programa de las Naciones Unidas para el Desarrollo

Cuba

- AZUIMPORT
- Abatur S.A.
- Empresa Contruimport
- Empresa Transimport
- Empresa Tractoimport
- Emsuna
- Proveedora General Del Transporte
- Unecamoto

Denmark

- Danish Army

Gabon

- Ministère de l'Économie, des Finances et du Budget

Germany

- Bundesamt fuer Wehrtechnik und Beschaffung
- Bundesdruckerei GmbH
- Federal Republic of Germany
- Rathscheck Schiefer

Hong Kong Special Administrative Region, China

- DMC Gas Engineering Limited

India

- INTAS Pharmaceuticals Ltd.
- Oil and Natural Gas Corporation Ltd.

Iran, Islamic Republic of

- Ministry of Interior

Ireland

- National Rehabilitation Board
- Tegral Building Products Limited

Israel

- Maccabi Medical Healthcare Services

Italy

- Ministero Della Difesa

Japan

- Itochu Aviation Co. Ltd.

Luxembourg

- NATO Maintenance and Supply Agency (NAMSA)

Netherlands

- Royal Netherlands Airforce
- Ministerie Van Defensie

Norway

- Oslo Politidistrikt

Panama

- Autoridad de la Region Interoceanica (ARI)

Portugal

- Ministerio Da Defesa Nacional

Puerto Rico

- Puerto Rico Electric Power Authority

Romania

- Ministry of Labour and Social Protection

Russian Federation

- Yukos-Import Ltd.

Singapore

- Singapore Technologies Kinetics Ltd.

Switzerland

- SR Technics

Trinidad and Tobago

- Ministry of Health

United Kingdom

- British Aerospace Limited
- Hydrovision Limited
- Ministry of Defence
- Rolls-Royce plc.
- The Environmental Agency
- Vickers Defence Systems

United States

Federal Government

- U.S. Air Force
- U.S. Army
- U.S. Coast Guard
- U.S. Marine Corps
- U.S. Navy
- Aberdeen Proving Ground Support Activity
- Anniston Army Depot
- Armament R&D Command Chemicals Ballistics
- Arnold Engineering Development Center
- Air Mobility Command HQ
- Air Mobility Command Acquisition Center
- Defense Logistics Agency
- Defense Supply Center Columbus
- Defense Supply Center Philadelphia
- Defense Supply Center Richmond
- Defense Supply Service
- Department of Energy
- Department of Interior
- Electronic Systems Centre
- Fleet & Industrial Supply Center (FISC)
- Letterkenny Army Depot
- Marine Corps Air Station
- Marine Corps Logistics Base
- Marine Corps Regional Contracting Office
- Marine Corps Systems Command
- National Aeronautics and Space Administration (NASA)
 - Ames Research Center
 - Johnson Space Center
- National Imagery and Mapping Agency
- Naval Air Engineering Center
- Naval Air Systems Command
- Naval Air Warfare Center
- Naval Facilities Engineering Command
- Naval Inventory Control Point
- Naval Oceanographic Office
- Naval Research Laboratory
- Naval Sea Systems Command
- Naval Surface Warfare Center
- Naval Undersea Warfare Center
- Nellis Airforce Base
- Office of Naval Research
- Ogden Air Logistics Center
- Oklahoma City Air Logistics Center
- Pine Bluff Arsenal
- Red River Army Depot
- San Antonio Air Logistics Center
- Space and Naval Warfare Systems Center
- Space and Naval Warfare Systems Command
- Technology Applications Contracting Office
- U.S. Army Armament and Chemical Acquisition and Logistics Activity
- U.S. Army Aviation and Troop Command
- U.S. Army Aviation and Missile Command
- U.S. Army Communications-Electronics Command
- U.S. Army Corps of Engineers
- U.S. Army Industrial Operations Command
- U.S. Army Medical Research Acquisition Activity
- U.S. Army Missile Command
- U.S. Army Research Laboratory
- U.S. Army Robert Morris Acquisition Center

- U.S. Army Tank-Automotive and Armaments Command
- U.S. Army Topographic Engineering Center
- U.S. Army Yuma Proving Ground
- U.S. Property and Fiscal Office
- U.S. Special Operations Command
- Warner Robins Air Logistics Center
- Wright Laboratory

Other levels of U.S. government

- Gemini Observatory
- City of Minneapolis
- City of Winston-Salem
- City of Ionia
- Montgomery County
- Space Coast Area Transit Brevard County
- The Reedy Creek Improvement District
- Wayne County Metropolitan Airport

Private sector / other

- Avondale Industries Inc.
- Big Lots Stores Inc.
- Bloom Electric Supply
- Boeing Aerospace Operations Inc.
- Centenary United Methodist Church
- Ebbets Field Flannels
- Eclipse Screens of California Inc.
- First Class Coach & Equipment Inc.
- First Presbyterian Church
- Florida Power Corporation
- John J. McMullen Associates Inc.
- KJ Kelly, LLC
- Litton Procurement PRC
- Lockheed Martin Tactical Defense Systems
- Lutheran Church of the Redeemer
- Napco International Inc.
- Oakley Foothill Ranch
- P&H Construction Co.
- PETSMART Inc.
- Raytheon E-Systems Inc.
- St. Mary's on the Highlands Episcopal Church
- Strategic Procurement Services Inc.
- TNT Logistics North America
- The Abbey of Gethsemani
- The Boeing Company Inc.
- The Brown Corporation
- Turner Construction Company
- Willard Marine Inc.

Zambia

- Central Board of Health

United Nations

- United Nations Procurement Division (UNPD)
- United Nations Children Fund (UNCF)
- World Food Programme
- World Health Organization

Glossary of terms

Additional contract costs: Costs incurred by the Corporation to meet its contractual obligations to foreign buyers when suppliers are unable to meet their contractual commitment to CCC. This may include the cost of repurchase or the cost of compensation.

Advance payments: Down payment made by the buyer at the outset of the contract, before any work has been performed.

Business volume: Total value of contracts and amendments entered by the Corporation during the fiscal year with respect to export transactions to foreign buyers.

Customers: Canadian exporters doing business through CCC.

Contract: Legally binding agreement between the Corporation and Canadian exporters or foreign buyers, with respect to the supply of a product and/or service.

Contract amendment: Variation to the original contract entered providing for additional or less work than the agreed-upon terms and conditions.

Contract billings: The total amount the Corporation invoiced to foreign customers for the delivery of products and services.

Contract performance guarantee: A government-backed insurance provided by the Corporation to the foreign buyer that in the event of non-performance by a contracted supplier, CCC will maintain the integrity of the contract by means of compensation or identification of an alternate source of supply.

Contract risk: Possibility that the terms and conditions of a contract may not be met by all parties to the contract.

Cost recovery: Direct costs, such as travel expense and direct labour costs, recovered by the Corporation on a number of contracts.

Credit risk: Possibility of a contract party failing to meet its financial/payment commitments.

Customers: Foreign buyers doing business through CCC

Defence Production Sharing Arrangement (DPSA):

Agreement signed in 1956 between Canada and the United States to allow Canadian industry to compete with U.S. firms for defence contracts on a normal, commercial basis.

Fee-for-service: Direct and indirect costs including risk premium and appropriate service fees charged to Canadian exporters or foreign buyers using CCC services.

Gain/Loss on foreign exchange translation: Gain/loss resulting from the movement in the exchange rate which affects the Canadian value of the Corporation's foreign exchange holdings.

Progress payments: Payments from foreign customers and to Canadian exporters on contracts where the partial recoupment of costs associated with the work performed on a contract leading up to delivery is allowed.

Risk Management Framework: The Corporation's Risk Management Framework combines the Board of Directors' directive on annual allowable losses and management's policies and practices related to operational risk mitigation.

Receivables Discounting Service: Receivables Discounting Service provides to Canadian companies having contracts with CCC, access to immediate payments for their invoices at a reasonable financing rate. This allows these companies to meet their financial obligations without increasing their debt.

Our Offices

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Canada
International Trade
CCC



CCC

**Canadian Commercial Corporation
Corporation Commerciale Canadienne**

Annual Report 2002 – 2003

Credibility ~ Confidence ~ Contracts

Canada





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Highlights

Number
of Exporters
Accessing
CCC Services

1,071

Percentage of clients
who are SMEs

82%

Number of
Exporters
Contracting
through CCC

215

Sales
to U.S.

\$779.7 million

Value of new
export orders
signed

\$951,684,204

Sales
to 30 other
countries

\$172 million

Gross revenues
from commercial
trading
transactions*

\$1.242 billion

Client Value Index
7.9

Parliamentary
Appropriation
\$16.6 million

Fees for service
and related
income

\$8.03 million

*Includes revenue from current
and previous years' contracts

SECTOR BREAKDOWN

6%

Consumer Products
and Services

6%

Information and
Communications

18%

Defence

43%

Aerospace

15%

Transportation
and Automotive

5%

Electrical Power
Equipment

4%

Health and Agriculture

3%

Oil and Gas, Environment

Who We Are

AN IMPORTANT LINK BETWEEN CANADIAN EXPORTERS AND BUYERS AROUND THE WORLD

CCC (the Canadian Commercial Corporation) builds international confidence in Canadian exports by endowing them with the credibility of Canada itself.

Its principal business is to act as a prime contractor, signing export contracts with foreign customers for goods and services to be supplied by Canadian companies. CCC's participation in a contract provides buyers with a unique and powerful government-backed assurance of contract performance.

PROFILE

As a Crown corporation wholly owned by the Government of Canada, CCC is mandated to facilitate international trade, in particular in government markets. CCC helps Canadian companies access the US\$5.5-trillion government procurement market and meet the requirements of buyers around the world.

Since the Corporation was established in 1946, it has provided assistance to thousands of companies in every region of Canada to generate more than \$30 billion in contracts with foreign government and private sector buyers.

By selling through CCC, Canadian companies gain access to U.S. military and aerospace markets under the Canada-U.S. Defense Production Sharing Arrangement (DPSA). CCC also negotiates commercial sales on behalf of Canadian exporters, providing access to a wide range of public procurement opportunities around the world through government-to-government transactions. In this way, CCC helps Canadian firms win export contracts on improved terms. It also helps small- and medium-sized enterprises (SMEs) to obtain project-related working capital from commercial sources through its Progress Payment Program (PPP).



Honourable Pierre Pettigrew,
Minister for International Trade and
responsible for CCC, and Doug
Patriquin, President of CCC.

For buyers from around the world, CCC offers the opportunity to purchase the best that Canada can offer and the knowledge required for complex projects, new technologies and sophisticated management. It provides simplified access to Canadian technologies at a fair and reasonable cost with a unique Government of Canada guarantee of contract performance.

Headquartered in Ottawa, CCC maintains liaison offices in major centres across Canada in cooperation with provincial governments, ensuring regional representation and strengthening vital links with provincial trade authorities.

MANDATE

The *Canadian Commercial Corporation Act* outlines CCC's legislated mandate to assist in the development of trade between Canada and other nations. The Act provides CCC with a broad range of powers including, specifically, "exporting goods and commodities from Canada either as principal or as agent, in such manner and to such extent as it deems advisable."

MISSION

CCC's mission is to serve as an effective Canadian trade instrument, bringing international buyers and Canadian sellers together and closing successful export contracts on the best possible terms and conditions.

SERVICES

CCC offers a wide range of services to facilitate transactions between Canadian exporters and international buyers.

- **For exporters**, CCC offers services ranging from pre-contract advice, contract management and post-contract support to an all-inclusive prime contracting service.
- **Foreign buyers** who acquire Canadian goods and services through CCC receive a contract performance guarantee backed by the Government of Canada and a single, dependable point of contact throughout the procurement process.

INTERNATIONAL PRIME CONTRACTOR SERVICE

CCC's Prime Contractor Service is a specialized service for exporters selling to foreign governments. It provides a government-backed guarantee of contract performance as well as:

- International business development support
- Advice on bid preparation and submission
- Assistance in contract negotiation and structuring
- A sales contract through CCC with a government-backed guarantee for the customer (foreign buyer)
- Receivable discounting and foreign exchange services related to CCC contracts
- Contract monitoring and administration, including receivable collection, mediation, auditing and closeout.

CCC also provides these services “unbundled,” or separately, on a fee-for-service basis.

ACCESS TO U.S. DEPARTMENT OF DEFENSE AND NASA

CCC provides privileged access for Canadian exporters to the U.S. public sector aerospace and defence market, under the 1956 DPSA and a related agreement between Canada and the U.S. National Aeronautics and Space Administration (NASA). The acquisition policies of the U.S. Department of Defense (U.S. DoD) specify that all of its defence purchases from Canada above US\$100,000 must be transacted through CCC.

SOURCECAN — BRINGING BUYERS AND SELLERS TOGETHER ON THE INTERNET

Through SourceCAN, an electronic marketplace, CCC matches opportunities in the United States and other markets to the capabilities of Canadian exporters and assists them in getting the most out of the opportunities. SourceCAN is a single point of entry to one of the largest, most comprehensive databases of Canadian companies and their capabilities.

PROGRESS PAYMENT PROGRAM

CCC provides Canadian companies, particularly SMEs, with access to working capital from Canadian financial institutions to cover production costs associated with export contracts.

PROCUREMENT AGENT

For foreign buyers, CCC can assume the role of procurement agent, helping them access high-quality Canadian goods and services by coordinating the contracting process and managing the purchasing cycle.

A portrait of Alan R. Curleigh, Chairman of the Board, smiling. He is wearing a dark suit, a white shirt, and a red patterned tie. The background is a blurred office setting with windows.

Chairman's Message

Alan R. Curleigh
CHAIRMAN OF THE BOARD

I am proud and deeply honoured to have been appointed the first independent Chairman of the Board of CCC – the Canadian Commercial Corporation. Since my appointment to the newly created position in November 2002, I have been able to ensure Board participation in the overall direction and oversight of the Corporation and have had the opportunity to take on the exciting challenge of helping CCC remain responsive to the evolving needs of Canadian exporters.

CCC is unique among Canadian Crown corporations. It plays a vital role in building the country's exports, particularly in government markets, offering services for both Canadian exporters and foreign buyers and providing a government-backed guarantee of Canadian exports.

International trade is a competitive and complex world in which the stakes and demands are high. As a former member of the Board and past Chair of the Canadian Manufacturers and Exporters, I have had the opportunity to learn first hand the needs of exporters all across Canada, large and small. I have also seen the importance of effective cooperation with Government in opening up foreign markets to them.

As someone who, for more than 20 years, has been closely involved in executing multinational capital projects all over the world, I also understand the vital importance of CCC's prime contracting role and the remarkable job it does in managing the risks inherent in export projects. I have been particularly impressed with the dedication and talent of the CCC team of men and women who ensure the success of the Corporation.

If Canadian businesses are to excel in the world economy, the Board and management of CCC are convinced that exporters must have state-of-the-art resources and support in finding buyers, concluding deals and delivering on their contracts.

As Chairman of CCC, I am convinced that the Corporation's new, more commercial orientation will allow it to play an even more significant role for business. The additional resources provided by the Government last year will allow it to put together more complex transactions calling upon the full range of expertise of Canada's exporters. In addition, the Corporation's new focus on financial self-sufficiency will make it even more responsive to the export community as it grows to new and expanded levels of service.

I believe that our prosperity as a nation and our well-being as individuals are driven by our ability to export the quality goods and services we offer. CCC's success in forging and expanding links between Canadian exporters and buyers is vitally important in helping us to achieve that prosperity.



Alan R. Curleigh

A photograph of Douglas Patriquin, President of CCC, smiling and gesturing with his hands. He is wearing a blue shirt and a patterned tie. The background is a soft, out-of-focus light blue.

President's Message

Douglas Patriquin
PRESIDENT

I am pleased to provide this Annual Report for CCC, the Canadian Commercial Corporation, for the year 2002-2003. This year saw the Corporation begin to implement its renewed mandate as Canada's export contracting agency, following amendments to its Act in early 2002. The performance indicators, financial statements and management's discussion and analysis in this report show the positive results of these efforts.

IMPLEMENTING A RENEWED MANDATE

With enhanced financial capacity provided by Parliament, CCC was able to introduce more flexibility in its services and a broader outreach to Canadian exporters and prospective buyers, on a more commercial basis. These activities were supported by significant investment in new technology systems.

As a result, despite economic uncertainty worldwide, the Corporation signed new export contracts and amendments for \$951.7 million. It received gross revenues for work performed by Canadian exporters under new and old contracts with CCC of \$1.242 billion, the highest recorded by the Corporation.

In addition, CCC generated fees for service and other related income of \$8.03 million, more than 37 percent above target. This put the Corporation well on the way to reaching its goal of financial self-sufficiency by 2006-2007 for business outside the Canada-U.S. Defense Production Sharing Arrangement (DPSA), the latter being financed through government appropriations.

We are very proud of both of these accomplishments. They demonstrate the value of the Corporation's services and expertise to over 1,970 Canadian exporters. They also illustrate the useful role CCC plays in government procurement programs in many countries around the world, and in contributing directly to the creation of 10,000 export jobs in Canada, a number that grows substantially when indirect and multiplier effects are considered.

FOR EXPORTERS AND BUYERS — HELPING AT BOTH ENDS

CCC is a unique Canadian institution. It has a proven ability to bring buyers and sellers together and integrate the complex elements of an export project to make successful international trade transactions happen.

Acting as a prime contractor, CCC assures the success of a project from A to Z and is, therefore, highly valued by foreign buyers for its ability to facilitate dependable procurement of critical services and products. Buyers gain confidence from CCC's ability to provide a guarantee from the Government of Canada for the success of the contract.

Exporters, for their part, see the Corporation as facilitating access to sometimes difficult foreign markets, accelerating the decision-making process and adding the credibility of a Government guarantee. This helps them be more competitive internationally.

Credibility, confidence, contracts: that is the magic of CCC. The Corporation offers vital advantages both to Canadian exporters and to foreign purchasers who are looking for the technology and solutions that Canadian companies can supply.

INTERNATIONAL GOVERNMENT PROCUREMENT — DEVELOPING PROMISING EXPORT MARKETS

International government procurement is a huge market, estimated at more than US\$5.5 trillion worldwide. We believe that much more can be done to satisfy a wide range of requirements from Canadian sources. The Corporation is increasing its focus on markets where it can help meet these needs. During the year, CCC made particular efforts to build strong relationships with potential customers and to identify opportunities throughout the Americas. This is being done in anticipation of the completion of the Free Trade Area of the Americas (FTAA) process, which is intended to bring together the nations of North, South and Central Americas.

CCC's long-standing access to U.S. aerospace and defence markets through the Defense Production Sharing Arrangement (DPSA) has allowed it to continue to support this essential and mutually beneficial Canada-U.S. relationship. The Corporation is exploring ways to address border control and Homeland Security concerns. CCC also launched its General Services Administration (GSA) Schedules Program to assist Canadian exporters to supply more Canadian technologies to civilian U.S. agencies and to state and local governments.

In addition to supplying high-performance technologies and goods from Canada, CCC is being invited to participate in more and more overseas construction projects. We will continue to manage our contractual obligations prudently, and maintain the enviable level of success in risk management that CCC has achieved in previous years. Last year, nearly 99 percent of contracts were fulfilled with no additional costs or losses.

During the year, CCC was given a mandate to identify and recommend a fund manager for the Government of Canada's Canada Investment Fund for Africa. This initiative is expected to provide \$200 million in risk capital for private investments to generate growth and strengthen Canadian commercial ties across the continent.

MORE FLEXIBLE SERVICES FOR EXPORTERS, ESPECIALLY SMES

Some exporters do not require all the components included in CCC's prime contracting role. Responding to the diverse needs of small- and medium-sized enterprises (SMEs), the Corporation "unbundled" some of the services it offers, such as introducing the exporter to the potential buyer and providing advice on how to negotiate and structure a contract. CCC's services open the door for SMEs to opportunities for which they may not otherwise be in a strong position to compete. Eight out of ten CCC clients are SMEs.

PROVIDING EXPORTERS WITH ELECTRONIC ACCESS TO THE WORLD

In 2002-2003, CCC took a strategic decision to devote important resources to the development of additional electronic commerce or eBusiness services. This involves working collaboratively with partners and in a manner that is consistent with the Government's promise to Canadians to use technology to improve access to client-centred and integrated services.

CCC continues to be a partner with Industry Canada and the private sector in SourceCAN, whereby our opportunities-matching service filters and matches specific U.S. and European electronic opportunities with Canadian exporters who have registered their capabilities with SourceCAN.

An investment in a new Oracle eBusiness suite will improve CCC's Electronic Data Interchange (EDI) protocol for companies doing business with U.S. government agencies. It will also help the Corporation to manage its current business and develop future eBusiness initiatives.

CHALLENGES AHEAD — COMMUNICATIONS, CORPORATE SOCIAL RESPONSIBILITY AND GROWTH

CCC's ability to assist Canadian exporters is directly related to its level of awareness among Canadian exporters and buyers worldwide. Domestically, focus is being put on the estimated 7,000 potential exporters to government markets. The Corporation has developed a communications plan with three objectives: to achieve recognition of CCC among interested exporters and foreign buyers; to develop their understanding of our role and services; and to foster use of CCC as their partner in transactions. Close cooperation with Canada's embassies and trade commissioners and with other export organizations in Team Canada will be key to CCC's efforts in this regard.

Another challenge facing CCC is to promote corporate social responsibility in its global business activities. The Corporation's initial focus will be on developing a regulatory framework under new environmental legislation and on promoting transparency and efficiency in international contracting.

Looking forward, we will pursue CCC's mandate by growing its portfolio of export contracts and making its expertise and services available on a fee basis. We will focus the Corporation's business development efforts in countries and sectors based on relationships with our foreign customers and on our knowledge of Canadian capabilities. We expect to be involved in bringing together more complex projects, and will continue to assist small- and medium-sized exporters in a variety of ways.

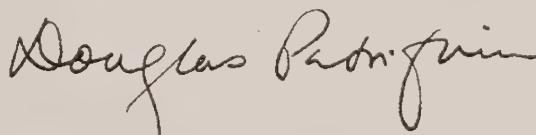
ACKNOWLEDGEMENTS

CCC's staff is widely respected for its innovative approaches in putting transactions together, for the quality of its expertise and for its due diligence in the fields of risk management and contracting. I would like to thank employees for the long hours of hard work that have gone into translating CCC's new orientation into reality.

I would like to offer special thanks to Emechete Onuoha, our former Vice-President, Corporate Strategy, who left CCC during the year to take on a new position in government. Mr. Onuoha played a key role in helping to develop the business and financial plan that is the basis for CCC's renewed mandate. I am very grateful to him.

I also want to extend a very warm welcome to our new Chair, Mr. Alan Curleigh, who joined CCC's Board in November 2002. This is the first time in the Corporation's history that it has had an independent Chair. I wish to express my appreciation for the special effort he has made to familiarize himself with CCC's operations and assure him of the continuing cooperation of management and staff. My sincere thanks, as well, to all the members of the Board for their direction and support.

The year 2002-2003 has been a year in which CCC implemented the new legislative authorities it received to fulfil a renewed mandate. We take great pride in helping customers around the world find what they need in Canada and in facilitating projects that work for them and for Canadian exporters. In this way, CCC will continue to play an active and innovative role in developing Canada's international trade.



Douglas Patriquin

Corporate Performance against Objectives

The performance measures and results are a quantitative assessment of how the Corporation has fulfilled its mandate. CCC establishes targets in its five-year Corporate Plan, approved by Government, to measure both business and financial performance.

PERFORMANCE VS. BUSINESS TARGETS

CCC established targets for five key measures of business performance, as follows:

VALUE OF ORDERS RECEIVED

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
Total	\$1.214 billion	\$1.0-\$1.2 billion	\$951.7 million	\$1.056 billion
Excluding LAVs	\$895 million	\$910 million	\$906.6 million	\$1.002 billion
LAVs	\$319 million	\$200 million	\$45.1 million	\$54 million

The value of orders received by CCC, or its overall business volume, includes CCC's sales as prime contractor to the U.S. and other countries, as well as exports supported by the Progress Payment Program. Sales of Light Armoured Vehicles (LAVs) manufactured by General Dynamic Land Systems (formerly GM Defence of London, Ontario) have been segregated as they are made up of a small number of very large contracts relative to other individual sales. The LAV program has historically had years of significant volume followed by years of proportionally low volumes, spikes and dips that can significantly alter the overall value of orders.

For 2002-2003, expected LAV sales were overtaken by events in the Middle East and, as a result, 2002-2003 ended with \$45 million in volume.

For the next fiscal year, CCC will also report on the export impact of its activities when it does not act as a prime contractor, which will be measured as "indirectly facilitated exports."

CANADIAN COMPANIES ACCESSING CCC SERVICES

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
	1,954	1,995	1,971	2,000

CCC had set a target of 1,995 for clients accessing CCC services. The final (unduplicated) count of 1,971 includes 1,572 companies receiving international opportunities matched to their capabilities, 170 companies working with CCC at the bid or pre-contract stage, 215 companies contracting with CCC and 14 companies with open contracts from previous years. In future years, as CCC places greater emphasis on unbundling and providing a wider range of services, the total number of companies accessing all of CCC's services will become the principal measure of our contact with clients.

EXPORTERS CONTRACTING THROUGH CCC

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
	228	258	215	Included above

In 2002-2003, CCC aimed to increase its base of contracted suppliers to more traditional levels by establishing a target of 258. However, 2002-2003 saw the number of companies contracting through the Corporation fall to 215, below the year's target and the previous year's results.

As buyers continue to integrate or bundle their requirements, consolidation of the procurement process will continue to occur. This will mean more work for fewer suppliers at the prime contractor level. This year's results are also affected by the current cyclical downturn in Aerospace and Defence. In an effort to provide more options for more clients, CCC has increased its opportunity identification and matching activities and partitioned its Prime Contractor Service into smaller, more manageable service segments to meet the varied needs of exporters. Starting in 2003-2004, the number of exporters contracted will be reflected in the total for companies accessing all of CCC services.

CLIENT VALUE INDEX

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2004-2005 Target
	7.8	7.4	7.9	To be measured every two years henceforth

The Client Value Index assesses the value of CCC's services to its clients.

Understanding that 2002-2003 would be a year of significant transitional challenges with the introduction of a new business software platform, CCC established a target of 7.4. CCC exceeded its target with an overall score of 7.96. Increased access to resident contracting expertise and CCC's focus on client service were given as reasons for the high level of client satisfaction.

This measure of the value our clients derive from CCC's services provides essential feedback to ensure the Corporation remains aligned with the evolving needs of exporters. The consistently high ratings confirm the appropriateness of CCC's service strategy, which focuses on delivering value for money in affecting the outcome of our clients' international sales efforts.

TIME REQUIRED TO MAKE PAYMENTS TO EXPORTERS

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
Regular Payments	33 days	30	31	30
Accelerated Payment Program*	17*	15*	18*	15*

*Grandfathered

CCC's service commitment on open account transactions is to pay its suppliers in 30 days. In 2002-2003, the Corporation improved its results compared to the previous year although it fell slightly short of its target. The Corporation will continue to focus on its internal processes next year to achieve the 2003-2004 target.

While the Corporation discontinued its Accelerated Payment Program for qualified SMEs as of January 2001, it continued to measure against its targets in this area, as certain contracts under way were signed before the cut-off date, and the accelerated payment plan remained applicable to them. As these contracts come to a close, CCC will no longer report against this performance target.

FIVE-YEAR HISTORICAL REVIEW for the year ended March 31

BUSINESS PERFORMANCE INDICATORS	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	Target 2002 2003
Value of orders received	\$0.748B	\$1.113B	\$1.338B	\$1.214B	\$0.952B	\$1.100B
Canadian companies						
accessing CCC services	1,886	1,810	1,795	1,954	1,971	1,995
Exporters contracting						
through CCC	276	280	273	228	215	258
Client Value Index	7.0	7.4	7.4	7.8	7.9	7.4
Time required to make						
payment to exporters						
Regular payments	31 days	31 days	32 days	33 days	31 days	30 days
Accelerated Payment						
Program	17 days	16 days	16 days	17 days	18 days	15 days

PERFORMANCE VS. FINANCIAL TARGETS

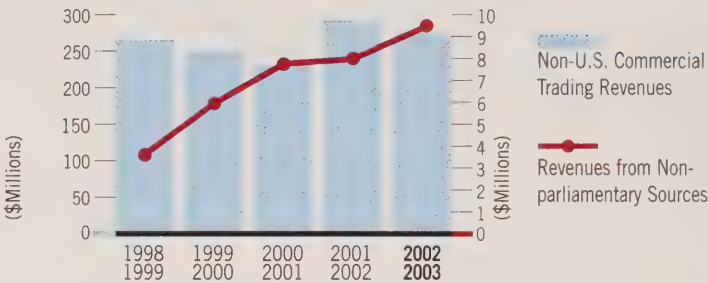
The Corporation measures its financial performance through the Corporate Plan via six targets:

REVENUE FROM NON-PARLIAMENTARY SOURCES

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
\$7.911 million	\$6.927 million	\$9.458 million	\$8.107 million

Revenue from non-parliamentary sources measures the amount of monies generated from fee-for-service, income from discounting receivables, interest income and other sources excluding parliamentary allocations. This new performance metric was developed in last year's Corporate Plan as one means to measure the Corporation's progress towards its goal of financial self-sufficiency of its non-DPSA services by 2006-2007, acknowledging that revenue growth was key to this achievement. The target was exceeded by \$2.5 million.

REVENUES FROM NON-PARLIAMENTARY SOURCES COMPARED TO NON-U.S. COMMERCIAL TRADING REVENUES



Based on results for 2002-2003, the Corporation believes it can surpass the 2003-2004 target.

FEES AS A PERCENTAGE OF NON-DPSA DIRECT COST

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
Not applicable	100%	121%	129%

Fees as a percentage of non-DPSA direct cost is another new performance metric developed in last year's Corporate Plan, which measures more directly the Corporation's progress towards financial self-sufficiency of its non-DPSA services by 2006-2007. The significant increase over budget in terms of fee-for-service revenues in 2002-2003 enabled the Corporation to exceed its break-even target for 2002-2003. The Corporation has established a target of 129 percent for 2003-2004 as it strives to achieve its financial goals.

NET RESULTS OF OPERATIONS VERSUS BUDGET

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
\$2.5 million	\$0.4 million	\$0.1 million	\$0.2 million

CCC established a small operating surplus in 2002-2003. This was based on increased generation of revenues from non-parliamentary sources. In fact, an operating surplus of \$0.1 million was achieved, \$300 thousand less than planned. Although the Corporation was successful in achieving revenues from non-parliamentary sources that were approximately \$2.5 million greater than planned, this was offset by a large unforeseen foreign exchange loss of \$2.7 million. This loss was due to the rise in the Canadian dollar versus the U.S. dollar between fiscal year-ends and the resulting translation of U.S. dollar based assets and liabilities into Canadian dollars. For the next fiscal year, the Corporation is budgeting a similar operating surplus with a continued focus on revenue generation, consistent with its intention to become self-sufficient in its non-DPSA services.

NET RESULTS OF OPERATIONS* COMPARED TO BUSINESS VOLUME

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
Total Business Volume	(1.1%)	(1.4%)	(1.7%)	(1.5%)
Excluding LAVs	(1.5%)	(1.7%)	(1.8%)	(1.6%)

*Before Parliamentary appropriations

Net results of operations before Parliamentary appropriations refers to the total operating expenditures incurred by the Corporation less revenues generated from non-taxpayer sources, or the net cost to the taxpayer of CCC's operations. When this cost is compared to business volume, the resulting performance

metric measures the Corporation's productivity in generating exports for Canada. The 2002-2003 target reflected a lower planned business volume target compared to 2001-2002's record business volume achievement.

In 2002-2003, CCC's productivity was negatively impacted by lower business volumes due to a significant reduction in LAV business volume. Excluding this factor, CCC's productivity was marginally lower due to higher additional contract costs. On both counts the Corporation did well, compared to its historical benchmark of two percent.

CCC anticipates a decrease in this figure next year, with rising business volumes.

ADDITIONAL CONTRACT COSTS* AS A PERCENTAGE OF BUSINESS VOLUMES

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
0.03%	0.11%	0.21%	0.12%

*Before associated legal and other costs

The Corporation's risk standard attempts to keep additional contract costs (excluding associated legal and other costs) at less than 0.2 percent of business volumes. This reflects the Board of Directors' approved risk-tolerance level, excluding a special allocation of \$250,000 that enables CCC to take on certain SME projects that would otherwise not fit within its risk parameters.

The 2002-2003 results were higher than target due to a decrease in LAV business volume and a higher level of additional contract costs. This number varies from one year to the next; this year balanced off the excellent results of 2001-2002. Next year's target continues the Corporation's trend of prudent risk management.

PROVISION FOR DOUBTFUL ACCOUNTS WHEN COMPARED TO ACCOUNTS RECEIVABLE FROM FOREIGN COUNTRIES

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
0.0%	1.0%	0.0%	1.0%

In its sales contracts, the Corporation takes accounts receivable risk when dealing with credit-approved foreign buyers, particularly foreign government agencies. The target of 1.0 percent for 2002-2003 is the Corporation's historic standard. CCC experienced another notable year in the successful collection of accounts receivable. The Corporation continues to review ways to embrace accounts receivable risk in non-traditional markets. It has re-stated last year's target for the 2003-2004 fiscal year.

FIVE-YEAR HISTORICAL REVIEW for the year ended March 31

FINANCIAL PERFORMANCE INDICATORS	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	Target 2002 2003
Revenue from non-parliamentary sources	\$3.627M	\$5.995M	\$7.798M	\$7.911M	\$9.458M	\$6.927M
Fees as a % of non-DPSA direct cost					121%	129%
Net results of operations versus budget	\$0.7M \$0M	\$0.2M \$0M	\$1.8M \$(0.8)M	\$2.5M \$0M	\$0.1M \$0.4M	
Net results of operations* compared to business volume (1.3%)		(1.1%)	(0.9%)	(1.1%)	(1.7%)	(1.5%)
Additional contract costs** as a percentage of business volumes	0.1%	0.3%	0.2%	0.03%	0.21%	0.12%
Provision for doubtful accounts compared to accounts receivable from foreign countries	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%

*Before parliamentary appropriations **Before associated legal and other costs

Management's Discussion and Analysis

OPERATIONS

The following sections provide management's review of CCC's operations for fiscal 2002-2003, including a description of the environment in which it operates, the markets it serves and the sectors in which it is especially active.

Operating Environment

EXTERNAL ENVIRONMENT

The external environment in which CCC operates has a major impact on its ability to sign international trade contracts. In this context, credit conditions and interest rates in the Canadian economy have an important influence on the financial health of Canadian exporters, while the exchange rate may affect their pricing competitiveness. Economic conditions in the U.S. and other regions naturally affect CCC and its exporting clients. In particular, the state of public finances in foreign governments is critical to their procurement activities and thus to CCC's sales.

CANADIAN ECONOMY

Despite pessimistic forecasts of the Canadian economy following the events of September 11, 2001, Canada led the G-7 countries in terms of economic growth and, for the first time in more than 20 years, outperformed the U.S. economy. The increased divergence in interest rates between Canada and the U.S. has resulted in a sharp rise in the value of the Canadian dollar against the U.S. dollar.

For 2003, economists expect domestic and export growth in Canada to continue. However, the increase in the value of the Canadian dollar and continuing international uncertainties could lower current forecasts.

INTERNATIONAL MARKET CONDITIONS

In 2002, the U.S. economy was slowing sharply, particularly in the information and telecommunications sectors, which also led to a sharp decline in many global economies. Latin America saw one of its worst years in recent history, with financial crises in Argentina, Venezuela and Brazil. On the other hand, other countries in the Asia-Pacific region, notably China and India, experienced good growth figures in fiscal 2002-2003.

In Europe, although it can be assumed that European countries will take up the majority of opportunities arising from those Eastern European countries joining the European Union (EU), certain sectors where Canadian expertise is recognized will provide markets for growth.

In Latin America, some countries are now showing signs of increasing financial strength and the outlook appears more positive, with discussions on the FTAA agreement moving toward completion in 2005. Research and analysis of several countries in Latin America revealed the potential for a more robust presence of CCC in this region.

China is expected to lead the Asian economies once again, although SARS-related concerns could alter this result. As the New Economic Plan for African Development (NEPAD) initiative takes shape, more commercial opportunities are expected to develop in that continent.

Injections of funds from International Financial Institutions (IFIs) will lead to increased market opportunities in sectors such as health, education and infrastructure.

CONTRACT PERFORMANCE GUARANTEE

AIRLINE PASSENGERS IN AFRICA CAN EXPECT A VAST IMPROVEMENT IN AIRPORT SERVICES THANKS TO MONTREAL-BASED TECNUM GROUP INC., WHICH WILL BE WORKING WITH THE AGENCE POUR LA SÉCURITÉ DE LA NAVIGATION AÉRIENNE (AGENCY FOR SAFETY OF AIR NAVIGATION OR ASECNA) IN AFRICA AND MADAGASCAR THROUGH CCC'S PRIME CONTRACTOR SERVICE.

TECNUM IS A MULTIDISCIPLINARY COMPANY THAT SPECIALIZES IN DEVELOPING AND INTEGRATING STATE-OF-THE-ART AIRPORT SYSTEMS.

"AS PRIME CONTRACTOR, CCC WILL BOLSTER TECNUM'S CREDIBILITY BY OFFERING ASECNA A GOVERNMENT-BACKED GUARANTEE OF CONTRACT PERFORMANCE," EXPLAINS HUGH O'DONNELL, EXECUTIVE VICE-PRESIDENT OF CCC. "AS WELL, ASECNA WILL BENEFIT FROM THE CONVENIENCE OF HAVING A SINGLE POINT OF CONTACT FOR MULTIPLE PURCHASES. WE MAY ALSO BE CALLED UPON TO DELIVER ADDITIONAL SERVICES AS PART OF OUR MANDATE TO GUARANTEE THE FULL AND SATISFACTORY COMPLETION OF THE CONTRACT."



Vince Tieu
Project Administrator

Marie-Josée Sévigny
Financial Administrator

John Mackey
Senior Customer
Account Officer

GLOBAL PROCUREMENT MARKETS

CCC's activity depends greatly on the strength of global public procurement markets, which represent approximately US\$5.5 trillion annually, or 19 percent of world gross domestic product (GDP) output.

CCC has identified a number of important sectors in these markets, where it believes Canadian products can supply an increasing share of customers' needs. These include aerospace and defence, security, information and communications technology, as well as transport, energy, water, housing and environmental technologies.

The global aerospace industry went through a difficult period in 2002-2003 and will continue to struggle as the commercial transport sector postpones fleet renewal plans, due to the effects of recession and September 11.

The U.S. departments of Defense and Homeland Security continue to receive budget appropriations at record levels, fueled by the aftermath of the terrorist attacks against the U.S. and the conflict in Iraq.

The Latin American public procurement market was severely affected by economic difficulties in 2002-2003. A number of countries where CCC has been active underwent fiscal challenges and had to postpone strategic investments and international purchases.

The global information and communications technologies sector will continue to generate new opportunities, despite the current cyclical challenges the industry is facing. There will be many interesting investment projects by public utilities and enterprises in other sectors noted above, particularly in developing countries and economies in transition, where the potential long-term demands are enormous. The question of whether adequate financing can be found for these projects will have a significant impact on CCC's activities.

Canadian companies with high-quality products, low costs and solid management expertise, all characteristics common to CCC's clients, stand to benefit significantly from demand in the global public sector market.

CANADA'S TRADE OBJECTIVES

As Canada's export contracting agency, CCC supports Canada's trade objectives by facilitating trade between Canadian exporters, including special programs for small- and medium-sized enterprises (SMEs), and foreign buyers. Regionally, CCC puts special emphasis on maintaining superior relations with the United States and other countries of the proposed Free Trade Area of the Americas (FTAA).

EXPORT ASSISTANCE TO SMES

Providing support to SMEs remains a policy priority for the Government of Canada. The CCC contributes directly to this overall government commitment by providing export-related assistance and advice to SMEs and by facilitating access to commercial sources of pre-shipment financing.

Of the total of 1,971 firms accessing CCC's services in 2002-2003, 82 percent were SMEs. They use all of the Corporation's export contracting services and expertise, which can now be acquired on an "unbundled" fee-for-service basis, to allow clients to choose the services most relevant to their business situation. The Corporation has introduced a SME Risk Fund to support the higher level of performance risk that is often a characteristic of small, less experienced firms. The fund will be expanded in subsequent years.

Through its Progress Payment Program for pre-shipment financing, CCC provided \$50.4 million of interim financing in fiscal 2002-2003. Since its creation in 1995, the PPP has facilitated more than \$499 million in export sales for Canadian SMEs.

U.S.-CANADA RELATIONS

Canada's trading relationship with the U.S. remains of paramount importance, and securing and improving access to this immense market is Canada's number-one trade policy priority.

CCC's sales to the United States amounted to \$779.7 million in 2002-2003, representing 80 percent of its total business volume.

In the post-September 11 environment, CCC contributes significantly to the Government of Canada's priority of working with the U.S. to address the security needs of both countries. CCC plays a central operational role under the 1956 DPSA between Canada and the United States, which was established to ensure the most effective utilization of U.S. and Canadian defence industrial capabilities, and the safety and well-being of their citizens.

Through its GSA Schedules Program, CCC also provides support to Canadian firms wanting to access the central procurement arm of the U.S. federal government.

FREE TRADE AREA OF THE AMERICAS

The proposed FTAA would encompass the 800 million people of the Americas, who make up almost one sixth of the world's population. The region's combined GDP of approximately \$17 trillion represents more than one third of the world's economic activity. The FTAA will build on Canada's free trade ties with the U.S., Mexico, Chile and Costa Rica.

CCC's Market Opportunities Development (MOD) group carried out proactive business development activities in many countries in Latin America during the fiscal year to develop customer relationships and identify opportunities that will be developed over the coming months. CCC's understanding of foreign government procurement procedures and its ability to enter into government-to-government arrangements can often simplify and accelerate the process of supplying customers' needs with Canadian products.

NEW LEGISLATION FOR CCC

In early 2002, the Parliament of Canada passed amendments to the *Canadian Commercial Corporation Act*. It was the first time CCC's Act has had significant amendments since the creation of the Corporation in 1946. Three amendments were brought forward to help CCC become more commercially oriented and better equipped to respond to the needs of exporters and the changing competitive realities of international markets.

The three changes included: permitting the Corporation to charge commercial fees for its services; expanding the Corporation's borrowing authority to include commercial markets; and separating the positions of Chair of the Board of Directors and President.

FEES FOR SERVICE

In its five-year Corporate Plan for the years 2002-2003 through 2006-2007, CCC made a commitment to achieve financial self-sufficiency in its business outside the Canada-U.S. DPSA, while making access to its services more flexible for exporters.

CCC has implemented a value-based pricing strategy and "unbundled" its traditional Prime Contractor Service. This approach allows clients to choose from a more flexible menu of services and to pay for the services they use on the basis of the value they represent rather than strictly on cost. Contracting services offered under the DPSA with the U.S. will continue to be funded by government appropriations.

BORROWING AUTHORITY

The Corporation has been given the statutory power to borrow commercially up to \$90 million. Currently, under Minister of Finance authority, CCC is limited to borrowing up to \$40 million.

Traditionally, CCC's borrowing authority has been used for working capital requirements related to CCC's DPSA program.



Susannah Denovan Fortier
Marketing Advisor

Sophie Couture
Project Manager

Rick Kealey
Project Manager

However, the Corporation is now seeing an increasing project pipeline composed of major capital projects. Consequently, the Corporation requires more flexibility in accessing borrowing lines.

In general, the new borrowing authority will enable CCC to maintain timely payment standards and increase its capacity for commercial risk to the advantage of SMEs.

IMPROVED CORPORATE GOVERNANCE

The positions of President and Chair of the Board were separated to modernize and strengthen the Corporation's governance structure, providing a greater degree of Board independence and oversight. In November 2002, Mr. Alan R. Curleigh was appointed Chair.

BUSINESS ACTIVITIES

For many years, CCC has worked in a wide variety of countries and industrial sectors, responding to buyers' enquiries and suppliers' requests for assistance. During the past two years, the Corporation has taken a more proactive approach to business development, by developing relationships and identifying opportunities in several countries' markets and targeted sectors.

Markets

UNITED STATES

In 2002-2003, CCC signed sales contracts worth \$642.7 million with agencies of the U.S. Department of Defense (U.S. DoD).

Procurement practices of the U.S. DoD have shifted significantly in ways that are changing this market for its suppliers. Build/own/operate arrangements are becoming more common, as U.S. DoD specifies outcome rather than activity. The use of private firms as prime contractor or integrator is increasing. Leasing has become more prevalent, from tanker aircraft to on-site simulators. These factors require new industrial relationships with U.S. prime contractors and may limit the ability of smaller firms to bid directly into major programs. CCC successfully provided a contractual link in a number of such transactions in 2002-2003. On a non-contractual basis, CCC conducts assist audits, last year performing more than 65 audits valued at over US\$220 million.

At the same time, budget structures are changing. The new Department of Homeland Security will, over time, subsume some of the funds typically allotted to other departments. The rules under which the new department will procure are being developed, and CCC is working to position itself as a conduit for Canadian companies by offering to provide DPSA-like services to those organizations unfamiliar with the Canadian supplier base.

While these changes pose challenges to CCC and its suppliers, they also bring opportunities. To ensure that CCC is fully aware of the impact of these changes, it continues to participate in forums where procurement and procurement reform are discussed. CCC was invited to join the Strategic Supplier Alliance, established by the Defense Supply Center Richmond. The Alliance involves 14 of the major U.S. suppliers to DoD, and meets to discuss performance measurements that DoD will use, as well as upcoming changes to procurement methodology and how it might impact suppliers.

ACCESS TO U.S. GOVERNMENT MARKETS

AIRBOSS OF AMERICA CORP., HEADQUARTERED IN NEWMARKET, ONTARIO, IS WORKING THROUGH CCC UNDER THE DEFENSE PRODUCTION SHARING ARRANGEMENT (DPSA) TO SUPPLY NUCLEAR BIOLOGICAL CHEMICAL ("NBC") PROTECTIVE FOOTWEAR TO THE U.S. MILITARY. THE CONTRACT IS VALUED AT US\$12.7 MILLION AND PRODUCTION IS SCHEDULED TO COMMENCE BY THE END OF 2003.

"AIRBOSS VALUES THE GOVERNMENT-BACKED PERFORMANCE GUARANTEE OF CCC, THE SIMPLIFIED U.S. GOVERNMENT PROCUREMENT RULES THEY ALLOW FOR, AND THE FACT THAT THEY WILL MONITOR ALL OF OUR CONTRACT OBLIGATIONS FOR US," SAID CINDY CARRIER, MILITARY CONTRACT MANAGER AT AIRBOSS. "WE HAVE WORKED WITH CCC FOR YEARS AND OUR PARTNERSHIP HAS CONTINUED TO PRODUCE HIGH-QUALITY PRODUCTS, THAT MEET THE U.S. MILITARY'S STRINGENT QUALITY REQUIREMENTS."

AIRBOSS-DEFENSE IS A WORLD LEADER IN THE DESIGN AND SUPPLY OF NBC PROTECTIVE WEAR. AIRBOSS-DEFENSE'S "ULTIMATE PROTECTION MISSION" INCLUDES PRODUCTION AND SALE OF CHEMICAL WARFARE AGENT PROTECTIVE FOOTWEAR, GLOVES AND GAS MASKS, AND THE DISTRIBUTION OF PROTECTIVE PERSONNEL CLOTHING TO BOTH THE DEFENSE AND FIRST RESPONSE SECTORS.

CCC is also a member of the Canadian Joint Defence Procurement Council, co-sponsored by Canadian Defence Industries Canada and Aerospace Industries Association of Canada, where among other issues, the impacts on Canadian industry of changes in U.S. procurement strategy are discussed.

CCC has strengthened its ongoing relationship with the U.S. Defense Contract Management Agency (DCMA) both in Ottawa and Washington. Through a co-sponsored Global Management Council, issues of mutual concern are discussed and metrics established to improve overall organizational performance.

An agreement between NASA and CCC was signed in the early 1960s, based on the DPSA model. This agreement was renewed in 2002-2003 providing for discretionary use of CCC as a prime contractor to NASA. Due to this relationship, CCC has been included in over 90 percent of NASA's commercial transactions with Canadian companies.

The U.S. Coast Guard (USCG) has awarded the prime contractor role in its US\$17-billion program known as Deepwater, to the Integrated Coast Guard Systems (ICGS) team of Lockheed Martin/Northrop Grumman. This acquisition aims to upgrade the USCG's assets, which will enhance its offshore surveillance capacity and contribute to increased U.S. security. CCC has become the Canadian point of contact for opportunities on Deepwater. Through the CCC Web site, suppliers can register with the program as sub-contractors and receive updates as to program requirements and progress.

U.S. GENERAL SERVICES ADMINISTRATION (GSA) SCHEDULES PROGRAM

The U.S. General Services Administration (GSA) is the central procurement arm of the U.S. federal government, responsible for facilitating billions of dollars in purchases every year on behalf of U.S. government departments and agencies. Canadian companies can access this US\$25-billion market by becoming a qualified supplier through the GSA Schedules Program.

CCC has developed a two-phased program to allow firms to access this market. The first phase is intended to support Canadian exporters applying for a GSA Schedule award. The service includes submission advice and assistance, peer review of submission by our Washington-based consultants and advice related to GSA discussions and pricing negotiations. Successful completion of Phase I will automatically enrol a company in Phase II.

The second phase is set up to help Canadian exporters to maximize selling opportunities once they have been accepted into the GSA Schedules Program by providing business intelligence and marketing vehicles (trade shows, promotional material and activities, etc.). CCC entered into partnership with the Canadian Manufacturers and Exporters to educate Canadian exporters about the GSA program.

CCC has set an objective of helping 25 small Canadian exporters to conclude agreements through the GSA Schedules Program in 2003-2004.

LATIN AMERICA

In its Corporate Plan, CCC selected Ecuador for the development of an “in-country” program, based on its involvement in a new Quito airport and local interest in how CCC can bring efficiency and transparency to international procurement. Focused business development efforts have established relationships with federal, state and city governments within that country. Strategic alliances were signed with the cities of Quito, Cuenca and Manta, solidifying these relationships and providing direct access to public procurement opportunities. Specific projects that have been identified from a number of visits during the year form the basis for this “in-country” program. Additional resources have been assigned to move projects forward and to seek out other needs, matching them with qualified Canadian suppliers.

Other countries in the region are being evaluated to determine an appropriate level of proactivity. CCC looks at various criteria including political and economic security, procurement planning and processes, specific sector interests and methods of payment. This is supported by input and expertise from the Trade Commissioner Service and Export Development Canada (EDC).

In the Dominican Republic, for example, CCC's value to the foreign buyer was evident when the Corporation was asked to assist the Water Authority of the capital city to source suppliers for a major project. A Memorandum of Understanding was signed with the customer in the fall and already this effort has led to other projects being identified, sourced and subjected to a feasibility study.

CCC is working on strategic programs in other countries that have the potential to lead to “in-country” programs and, through a more robust presence in the country, open doors to new opportunities for Canadian companies.



OTHER REGIONS

In other regions of the world, CCC responds to needs identified by buyers and sellers who believe that CCC's presence will lend confidence and credibility to an international transaction. During 2002-2003, CCC was successful in signing contracts or contract amendments in seven African countries, including Angola and the Republic of South Africa. Contract value was approximately \$34 million. Similarly, CCC's marketing efforts contributed to contracts from 10 European countries in 2002-2003 with a value of over \$62 million, and contracts in Asia of over \$2 million.

EBUSINESS

Electronic commerce or eBusiness is an integral part of CCC's strategy to better serve its clients and grow its business. The Corporation has embarked on initiatives in three areas.

eBUSINESS LINKAGES

CCC IS A FOUNDING PARTNER OF SOURCECAN, CANADA'S E-MARKETPLACE. COMPANIES REGISTERED WITH SOURCECAN ACCOUNTED FOR 99% OF CCC'S TOTAL U.S. GOVERNMENT BUSINESS VOLUME IN 2002-2003. THERE IS CLEARLY A STRONG AND POSITIVE ASSOCIATION OF SOURCECAN WITH THE VOLUME AND SIZE OF CONTRACTS WON BY CANADIAN COMPANIES DOING EBUSINESS WITH THE U.S. GOVERNMENT THROUGH CCC. — *HUGH O'DONNELL, EXECUTIVE VICE-PRESIDENT, BUSINESS DEVELOPMENT AND OPERATIONS, CCC.*

The U.S. government is continuing its movement toward electronically based procurement. For a number of years, CCC has provided a gateway to this market through its Electronic Data Interchange (EDI) capability. In the near term, this service will expand from contract award and notification to include invoicing and payments from a larger number of suppliers, using CCC's new computer platform. This service is expected to speed up the payment process resulting in cost savings and cash flow improvements. CCC will continue to offer capabilities to small suppliers unable to invest in their own stand-alone systems.

In 2001, CCC partnered with Industry Canada and HyperNet, a private company, to establish SourceCAN, an e-marketplace that matches Canadian products and services with business opportunities posted by

domestic and foreign corporations and governments. CCC organizes U.S. and European information feeds and provides advice and assistance to companies that wish to bid on these opportunities.

Canadian companies were awarded more than 300 contracts from opportunities posted on SourceCAN in calendar year 2002, and of that number 209 contracts worth US\$388 million went through CCC. Some 1,572 exporters used CCC's opportunity matching services in 2002-2003.

CCC is working with other export agencies such as EDC, the Business Development Bank of Canada (BDC) and the Department of Foreign Affairs and International Trade (DFAIT), to develop an integrated international electronic commerce platform. This platform would simplify clients' access to a wide range of services from departments and agencies, consistent with the Government of Canada's Government On-Line (GOL) initiative.

INTERNATIONAL PROCUREMENT SERVICES

AT THE REQUEST OF THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA), CCC IS PROVIDING THE MINISTRY OF HEALTH, REPUBLIC OF ZAMBIA, WITH AN ALL-INCLUSIVE PROCUREMENT SERVICE FOR A FOUR-YEAR PERIOD. THE PROJECT, WHICH IS ALSO FUNDED BY CIDA, PROVIDES ZAMBIA WITH CANADIAN-SUPPLIED PHARMACEUTICALS THAT MEET CANADA'S HIGH-QUALITY STANDARDS.

CCC CARRIES OUT DILIGENT DAY-TO-DAY CONTRACT MANAGEMENT TO ENSURE THIS COMPLEX MULTI-ITEM PROJECT SUCCEEDS AT THE VARIOUS STAGES OF DELIVERY, STORAGE, SHIPMENT AND PAYMENT.

CANADA INVESTMENT FUND FOR AFRICA

The Canada Investment Fund for Africa is a key part of Canada's commitment to greater socio-economic development in Africa and Canada's response to a consensus among international organizations about the important role private sector funds can play to help developing countries participate in the global economy.

The Canadian Government announced its intention of sponsoring a public-private Canada Investment Fund for Africa to provide risk capital for private investments in Africa that generate growth. The Fund will have a minimum targeted aggregate capital of \$200 million, of which \$100 million would be contributed by the Government and the balance by private sector investors.

The Department of Foreign Affairs and International Trade appointed CCC to select a qualified fund manager, who will be responsible for directing the Fund's activities.

The Fund will generate significant direct and indirect benefits for Africa and Canada through new market opportunities for Canadian firms and investors, and enhanced strategic linkages between Canadian and African organizations.

CCC will leverage the contacts and knowledge gained through this process to better assist Canadian companies in Africa.

Sectors

AEROSPACE AND DEFENCE

Global sales by CCC in the Aerospace and Defence group amounted to \$119 million in 2002-2003. Principally with the U.S. DoD, CCC is under contract with the dominant players in Canada's aerospace sector. While commercial aviation was hard hit following September 11, spending on military aviation assets has remained relatively constant. In fact, there were slight increases in readiness spending prior to Operation Iraqi Freedom. Cross-border efficiency concerns also contributed to CCC's aerospace sales in 2002-2003, as a CCC-brokered transaction resulted in an order from U.S. Customs.

CCC anticipates security issues such as border control, surveillance and interdiction will increase the demand for goods and services more typically found in the military domain. Defence products are now being procured and used by a wider range of government buyers than previously. For example, federal, state and municipal first responders have all procured equipment designed to detect and protect from chemical and biological fallout.

CCC's Aerospace and Defence group has developed a number of international projects outside the U.S., through focused cross-marketing and business development efforts. Products include aircraft engine test cells for Germany, underwater salvage rescue vehicles for Italy, bomb disposal suits for Germany, airport equipment for the Congo and others.

In late 2002-2003 General Motors Canada sold its Light Armored Vehicles (LAVs) production facility in London, Ontario, to General Dynamics Land Systems (GDLS) of the U.S. For almost two decades, CCC has participated in the evolution of the LAV into the world's premier peacekeeping vehicle and in its contribution to a revolution in military mobility, as wheeled vehicles challenged tracked vehicles across a range of uses. General Motors Canada received an Export Award in 2002 in recognition of this long-term product development program.

In sales terms, the LAV business is typically made up of a small number of very large contracts. In 2002-2003, CCC achieved LAV sales of \$45 million compared to a target business volume of \$200 million, caused by procurement delays triggered by events in the Middle East. In conjunction with GDLS, CCC is currently involved in the pursuit of other sales, including a potential expansion of the ongoing Australian program.



INTERNATIONAL COMMERCIAL BUSINESS

CCC's International Commercial Business (ICB) portfolio consists of modest-sized supply and construction projects in a variety of other sectors. These contracts involved products and services used in public sector investments, including telecommunications, environmental and waste management, engineering, building supplies, transportation, tourism, education, passports and food products. In spite of slow worldwide economic conditions, 31 countries bought through CCC, bringing total new ICB orders to \$94.4 million in 2002-2003. The Corporation and its suppliers have a substantial pipeline of projects to be brought to contract in 2003-2004.

ENGINEERING, PROCUREMENT AND CONSTRUCTION

Engineering, Procurement and Construction (EPC) projects are integrated, complex, and typically multi-million dollar projects that may be of strategic importance to the host country. They are found in a variety of sectors such as energy, transportation, telecommunications, housing and infrastructure.

Canadian exporters are particularly strong on the service side of the industry, especially in engineering consulting, architecture and project management. CCC is being asked to participate in more EPC projects because of the value it brings, particularly in terms of its ability to simplify and expedite decision-making processes. It has the capacity to structure sole source arrangements and form the broadly based consortia that are often required to undertake these projects and to assist in putting together the required financing.

In 2002, CCC was awarded a \$600-million contract to build an airport in Quito, Ecuador, subject to financing and other governmental approvals. The project would be undertaken by a leading Canadian airport development firm together with other Canadian and international companies.

The Corporation operates under special guidelines that apply to overseas construction or “capital” projects. CCC is confident in its ability to effectively mitigate and manage the risks associated with such projects, based on past performance and the policy framework it has in place.

INTERNAL RESOURCES

CCC understands that an organization's ability to respond to its clients' needs depends largely on the skills and knowledge of its employees. The Corporation has achieved its successes because of its people, who are innovative and determined to find solutions that lead to export contracts.

CCC is committed to creating an environment where continuous learning is encouraged. The growing demand for sophisticated risk management skills and the need to take advantage of new technologies are factors that have made learning and development a corporate priority. The Corporation's approach to learning includes the sharing of best practices among staff, inter-departmental assignments and specialized training.

CCC introduced the concept of learning plans as a pilot project. Learning plans will identify learning activities to be pursued by individuals in support of their learning and career development. Preliminary work was undertaken on the concept of a career map that will identify the skills and competencies of the different jobs within the Corporation. The strength of management's commitment to provide employees with the opportunity to learn is shown in the number of training days. On average, each employee had almost 11 days of training, compared to the corporate objective of 7 days.

Assisted by its new Spectrum computer platform, CCC will be introducing improved performance measurement tools that will further contribute to the learning culture within the Corporation.

SPECTRUM

In 2002, CCC embarked upon a major modification of its existing business processes to adapt to its new enterprise-wide, Web-enabled, Oracle-based computer platform known as Spectrum. While its introduction posed a significant set of challenges, the system is now functioning as well as or better than the legacy system it replaced. Success in this undertaking was the direct result of an enormous amount of attention and effort on behalf of all of CCC's staff members.

Spectrum impacts on almost all business processes at CCC and houses a vast database of information that will be used to manage all phases of the business. This infrastructure will also facilitate CCC's transition towards offering more services electronically, in the spirit of the Government On-Line (GOL) initiative.

The system is now handling the operations of the Corporation and producing reporting and tracking tools for CCC's extensive portfolio of business opportunities. Full gains will be realized over the long term, as the system is fine-tuned and as business processes are modified to take advantage of the new capabilities it offers.

CORPORATE SOCIAL RESPONSIBILITY

The Department of Foreign Affairs and International Trade (DFAIT) defines Corporate Social Responsibility (CSR) as “the way a company balances its economic, environmental and social objectives while at the same time addressing stakeholder expectations and enhancing shareholder value.”

CCC has developed a CSR plan and is working closely with government officials to ensure that its CSR initiatives address the Government of Canada's values and commitments, consistent with the Corporation's mandate.

In the initial phase, CCC will concentrate on elaborating its environmental review framework and its role in addressing international bribery and corruption issues.

ENVIRONMENT

CCC's Board of Directors has adopted an interim environmental review framework, covering the Corporation's involvement in overseas construction projects. At present, these activities are not regulated under the *Canadian Environmental Assessment Act*. Nevertheless, CCC has voluntarily sought the advice of the Canadian Environmental Assessment Agency in conducting its environmental assessment process.

Following amendments to the *Canadian Environmental Assessment Act*, CCC will be working with the Canadian Environmental Assessment Agency and other governmental organizations to develop a satisfactory regulatory framework to fulfil its environmental responsibilities while continuing to serve the Canadian exporting community.



Paul McKenna
Director, Business
Process Improvements



Mark Surch
Senior Human
Resources Advisor

Patricia Daigneault
Project Manager

Karine Bélanger
Junior Project Manager

ETHICS

The increasing globalization of business activities has brought bribery and corruption to the forefront of CSR issues.

CCC has complied with Canada's *Corruption of Foreign Public Officials Act* by inserting a clause in all its contracts with Canadian suppliers prohibiting the bribery and corruption of public officials in Canada and abroad. The Corporation's goal is to provide benefits to both buyers and sellers and ultimately to improve the international trade environment.

CCC was approached last year by Transparency International Canada to play an active role in raising the awareness of the Act among its clients and the Canadian exporter community in general. CCC's management is currently examining the role the Corporation could play in advancing the issue of transparency in international public procurement.

SOCIAL INVOLVEMENT

CCC is actively involved in a number of community initiatives including the United Way Campaign, the Ontario Heart and Stroke Foundation's Big Bike for Stroke, Computers for Schools, the Association Internationale des Etudiants en Sciences Economiques et Commerciales (AIESEC) and Christmas donations to families in need, as well as internships and student hiring.

WORKING CAPITAL FOR EXPORT PROJECTS

SUCCESSFUL EXPORTING DOES NOT FOLLOW A SIMPLE FORMULA WHERE SELLER PLUS BUYER EQUALS SALE. RATHER, EXPORTING IS MORE LIKE ALGEBRA WHERE VARIABLES COME INTO PLAY AND AFFECT THE OUTCOME. FINANCING IS AN EXAMPLE OF ONE OF THESE VARIABLES.

IF AN EXPORTER DOES NOT HAVE SUFFICIENT FUNDS TO MEET CASH SHORTFALLS OR DOES NOT HAVE AN ARRANGED PAYMENT SCHEDULE THAT PROVIDES ENOUGH FUNDS TO MEET CASH REQUIREMENTS AT EACH STAGE OF PRODUCTION, A SALE CANNOT BE COMPLETED.

DIECO TECHNOLOGIES LIMITED IS JUST ONE OF MANY SUCCESSFUL EXPORTERS THAT CRUNCH THEIR NUMBERS AND THEN TURN TO A VALUABLE RESOURCE LIKE CCC'S PROGRESS PAYMENT PROGRAM (PPP). SINCE DIECO BEGAN WORKING WITH CCC IN 1999, THE COMPANY HAS BEEN ABLE TO ACCESS MORE THAN US\$4 MILLION IN PRE-SHIPMENT FINANCING IN ORDER TO SECURE CONTRACTS WITH MAJOR COMPANIES IN THE U.S. AUTOMOTIVE INDUSTRY.

"DIECO HAS A STRONG EXPORT FOCUS, AND A KEY COMPONENT IN MAINTAINING OUR COMPETITIVE POSITION IS THE ABILITY TO ACCESS INNOVATIVE FINANCING SOLUTIONS," SAID BOB DONALLY, DIECO'S PRESIDENT. "THE CCC'S PPP HAS ALLOWED US TO SUCCESSFULLY PURSUE PROJECTS THAT MAY NOT HAVE BEEN POSSIBLE OTHERWISE. WE CONSIDER THE PPP TO BE A STRONG RESOURCE IN OUR CONTINUING GROWTH."

CORPORATE GOVERNANCE

"In serving the public interest, Crown corporations have greater managerial autonomy than the rest of government in order that they may operate in a commercial manner."

Government of Canada, *Corporate Governance in Crown Corporations and Other Public Enterprises: Guidelines*

Governance in Crown corporations must take into account the fact that these institutions have a dual purpose of delivering important public programs and managing them within a commercial context. CCC operates under the *Canadian Commercial Corporation Act* (the CCC Act) and under Part X of the *Financial Administration Act* (FAA), which outlines the control and accountability framework for federal Crown corporations. Fundamental to this framework is the annual development and approval by the Government of a five-year Corporate Plan and related borrowing and operational plans.

The Government has established guidelines in its publication entitled *Corporate Governance in Crown Corporations and Other Public Enterprises*, which emphasize the Board of Directors' responsibilities in the areas of stewardship, working with management and effective board functioning. It recommends that each Crown corporation report on its corporate governance practices in its annual report.

BOARD MEMBERSHIP

During 2002, CCC's Board was expanded from eight to ten members by the addition of the Corporation's first independent Chair and one additional member. Names and affiliations of the Directors are found on page 48.

In early 2002, Parliament passed an amendment to the CCC Act to separate the functions of President and Board Chair to strengthen the Corporation's governance; previously, the President carried out both functions. On November 12, 2002, the Minister responsible for CCC, the Honourable Pierre Pettigrew, Minister for International Trade, announced the appointment of Alan R. Curleigh as Chair of the Board, for a three-year term.

The appointment was made after identifying a position profile and consultation with Board members, stakeholders and other third party references. Prior to his appointment, Mr. Curleigh served as Executive Vice-President, Corporate Secretary and member of the board of TESSAG KSH Ltd., a capital projects engineering contracting firm based in Montreal. He has been a member of the Board of Directors of the Canadian Manufacturers and Exporters since 1996, acting as its Chair from 1999 to 2001, and so brings extensive experience of exporting issues and knowledge of the community to his role at CCC.

In addition, Mr. Peter M. Wright was appointed to the Board of Directors for a three-year term. Mr. Wright is Chairman of the law firm Patterson Palmer. His appointment provides the Corporation with Board representation from the Atlantic provinces and, like Mr. Curleigh's appointment, followed completion of a position profile and consultation with the Corporation regarding particular skills that would be useful at this stage of its evolution.

All new members of the Board are provided with conflict of interest guidelines by the Privy Council Office as well as orientation material and briefings. Three Board members attended training seminars for public sector directors during the year.

MEETINGS AND EXPENSES

The Board met three times in person and five times by conference call to carry out its responsibilities. To assist it, the Board used three standing committees:

- an Audit Committee, consisting of three external directors. The committee met twice in person and once by conference call during the year to review the plans for the external audit and a multi-year internal audit plan, and to review and approve the Corporation's financial statements and presentation of data in its annual report. Mr. Louis-Marie Beaulieu assumed the Chair of the Audit Committee in October 2002;
- a Compensation Committee consisting of two external directors. The committee met twice during the fiscal year to set the President's objectives, evaluate his performance and recommend compensation adjustments under guidelines established by the Privy Council Office; and
- a Committee of the Whole, which met each time the Board was convened. This committee, chaired by an external director, helped provide effective separation of the functions of President and Board Chair, by considering all substantive matters on the Board's agenda. Its decisions were ratified by the Board under the President's chairmanship without further debate. With the appointment of a new Chair, this committee will no longer be required.

The Board's expenses in 2002-2003, including annual retainers and honoraria at rates approved by the government, as well as travel and meeting costs, totalled \$93,000. The expenses increased by \$39,000 over 2001-2002 due to a number of factors: the addition of a part-time Chair and one Board member; holding one Board meeting in Vancouver; and training costs for three directors.

CORPORATE GOVERNANCE GUIDELINES

Following the appointment of an independent Chair, the Board began a review of the Corporation's by-laws and Board practices against the government's corporate governance guidelines and other current authorities. While this review will be completed only in 2003-2004, the Board believes it has fulfilled its key responsibilities as outlined in the government's corporate governance guidelines, including the following:

- Stewardship of the Corporation's responsibilities, including establishing the Corporation's strategic direction through a five-year Corporate Plan (to implement the renewed public policy mandate given by the Parliament of Canada to the Corporation in early 2002); quarterly review of the Corporation's business risks and financial position; a comprehensive program of external and internal audits; and reporting to the Minister and Parliament on the Corporation's performance through the annual report.
- The Corporate Plan 2002-2007, submitted for government approval in February 2002, covered the Corporation's objectives, strategies, service standards and communication plans, as well as budgets and a borrowing plan for the coming year. A Summary of the approved plan was forwarded for tabling by the Minister, as required under the FAA.
- Working with management, while maintaining an independent perspective. Separation of the positions of President and Board Chair has considerably strengthened the board's independence. CCC's Board and management have established an effective working relationship in which the Board provides advice, approves strategic projects and issues, and monitors and evaluates performance and policies.
- Functioning of the Board, including participating in Board renewal, orientation, education and review of its governance processes, as noted above.

Finances

1. FINANCIAL HIGHLIGHTS

The 2002-2003 fiscal year was marked by a number of positive financial highlights. The Corporation had record-level gross revenues of \$1.2 billion, exceeded its target for fee-for-service revenues in the first year of implementation, and produced a small surplus. Given these results, the Corporation enters the 2003-2004 fiscal year confident in its ability to achieve its Corporate Plan goal of financial self-sufficiency in its non-DPSA programs by 2006-2007. Below is a more detailed discussion of the Corporation's 2002-2003 operating highlights.

Income Statement Discussion

SUMMARY RESULTS OF OPERATIONS

(\$ millions)	2002-2003	2001-2002
Commercial trading transactions	\$1,242.1	\$1,209.5
Gross margin	8.0	5.3
Net revenues	6.6	8.2
Total expenses	23.2	21.5
Parliamentary appropriations	16.6	15.8

Commercial trading transactions is the aggregate of the Corporation's billings from outstanding signed contracts, fees-for-service and income generated from the discounting of exporters' receivables. The Corporate Plan projects that commercial trading transactions will decrease to approximately \$1.05 billion in 2003-2004, reflecting lower sales orders signed in 2002-2003. However, they are projected to rise again to \$1.2 billion and beyond, post 2004-2005.

The Corporation has seen generally positive response to its implementation of a fee-for-service policy. The year-over-year increase in fees of \$2.422 million or 52 percent was generated primarily from a number of large exporting projects at the pre-contract stage, reflecting the value placed by exporters on CCC's services and expertise in developing successful projects. The increased use of CCC's receivable discounting service by exporters resulted in a year-over-year increase in other income of \$208,000 or 41 percent. The gross margin is expected to continue growing as the fee-for-service regime is applied to more of the Corporation's export transactions.

Net revenue (the total of gross margin, net interest income, and gain (loss) on foreign exchange), however, actually decreased by \$1.6 million from last year. Lower interest rates affected the amount of interest income generated on the Corporation's surplus cash holdings (2003 - \$1.365 million, 2002 - \$1.706 million). The increase in the value of the Canadian dollar against the U.S. dollar resulted in a foreign exchange loss of \$2.772 million in 2002-2003 compared to a foreign exchange gain of \$434,000 in 2001-2002, when the Corporation's U.S. assets were converted to Canadian dollar equivalents.



To minimize foreign exchange gains or losses in the future, the Corporation plans to implement a new treasury management policy of borrowing to meet its U.S. dollar requirements and converting its surplus U.S. dollars into Canadian dollars for investment purposes. This policy change also takes advantage of the currently positive interest rate spread between Canadian and U.S. rates. Consequently, the Corporate Plan projects that the Corporation's net revenues will be \$6.529 million in 2003-2004 as the anticipated increase in interest income will be offset by more extensive use of its borrowing facility.

Total expenses increased by \$1.6 million year-over-year, as administrative expenses increased by \$1.8 million, offset by a \$250,000 decline in additional contract and related costs. Administrative expenses rose by \$1.8 million from last year, due to the following major items:

- approximately \$600,000 in amortization expense, reflecting the first year's usage of the Corporation's new computer system;
- an increase of approximately \$430,000 in charges by Public Works and Government Services (PWGSC) for services rendered on behalf of CCC, for export projects where the Corporation has billed an equivalent fee for service to the client; and
- approximately \$850,000 in increased marketing and promotion, and human resources initiatives consistent with last year's Corporate Plan strategy, as well as increased workforce compensation associated with the Corporation's collective bargaining agreement. A more detailed breakdown of the Corporation's administrative expenditures is provided in note 14 of the Financial Statements.

The Corporation closely monitors its administrative expenditures. From 1998-1999 to 2002-2003, total administrative spending increased by 59 percent, nearly matching on a percentage basis the 57 percent rise in commercial trading transaction revenue during the same period. Of the nearly \$7.74 million increase in administrative expenses, more than a third, or approximately \$2.85 million, was from increased payments to PWGSC for services to support CCC's increased workload activity. The remaining \$4.89 million increase was from investments in infrastructure and people that are enabling the Corporation to more proactively develop its business:

- The purchase of a new computer system to improve reporting across corporate functions and support future eBusiness initiatives
- Increased marketing to support the objective of diversifying the markets CCC serves, by raising awareness among suppliers and buyers of the services it offers
- Implementation of a compensation system for staff, additional employees, and higher collective bargaining contract costs.

In 2002-2003, the Corporation received an increase in its appropriation from Parliament for management and staff compensation. The Corporation expects to receive \$16.2 million in appropriations in 2003-2004.

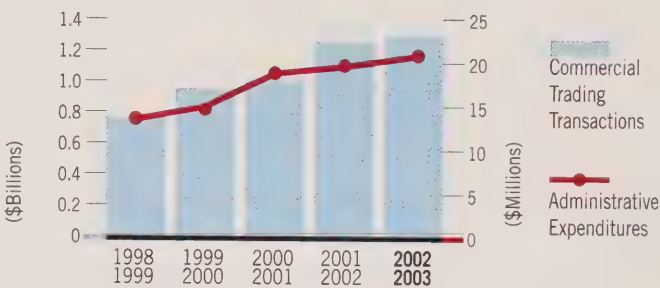
Balance Sheet Discussion

SUMMARY FINANCIAL POSITION

(\$ millions)	2002-2003	2001-2002
Total assets	\$419.3	\$674.8
Equity of Canada	40.8	40.7

Total assets decreased to \$419.3 million at March 31, 2002, down \$255.5 million from the previous fiscal year-end. This decrease reflects two major items: release of monies being held on behalf of foreign governments for approximately \$102 million; and a change in the size and mixture of the Corporation's portfolio of uncompleted contracts, with lower advances and progress payment activity than last year. The Corporate Plan anticipates a further decline in assets to \$383 million next year.

ADMINISTRATIVE EXPENDITURES COMPARED TO COMMERCIAL TRADING REVENUES



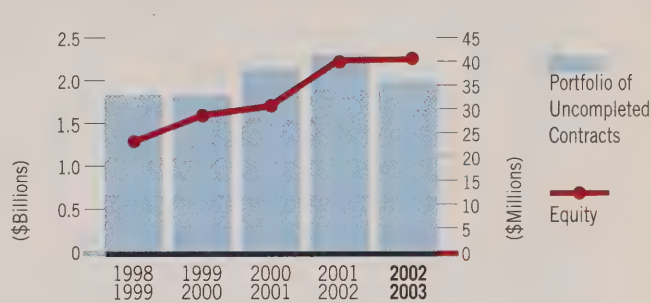
WORKING CAPITAL

As an international trade intermediary, CCC for the most part offsets its trading-related assets with matching liabilities. Accounts receivable from foreign customers and progress payments to Canadian exporters on the assets side of the balance sheet are largely offset by accounts payable and accrued liabilities to Canadian exporters as well as progress payments from foreign customers.

In certain programs, however (such as sales under the DPSA), the Corporation does have a need for other sources of working capital to bridge timing differences between its payables and receivables. CCC's new statutory power to borrow commercially up to \$90 million (currently limited by Minister of Finance authority to \$40 million) will provide it with useful flexibility to manage such variations. The Corporation no longer borrows from the Government of Canada, as it did in the previous year, with \$10 million outstanding as of March 31, 2002. It repaid this amount early in the fiscal year 2002-2003.

CCC's capital assets increased on a net basis by \$436,000 in 2002-2003. This was the result of investment in the Corporation's new information technology system as it was put into operational use. The Corporation's provision for additional contract and related costs declined by \$1.9 million, due primarily to the resolution of one project.

CCC PORTFOLIO OF UNCOMPLETED CONTRACTS COMPARED TO EQUITY



The equity of Canada in CCC remained essentially the same, at approximately \$41 million. The Corporation believes it has sufficient capital to support the normal commercial risks inherent in its contract portfolio of uncompleted contracts of \$2.0 billion. The Corporation applies a comprehensive Risk Management Framework to support this position, acknowledging that, as an agent Crown corporation, all obligations of the Corporation are obligations of the Government of Canada.

Changes in Cash Flow Discussion

SUMMARY CASH FLOW

Cash provided by (\$ millions)	2002-2003	2001-2002
Operating activities	(\$179.1)	\$13.0
Investing activities	100.9	11.4
Financing activities	20.0	20.5

As described in the Corporation's Cash Flow statement, cash and short-term deposits at March 31, 2003, declined significantly compared to the previous year. This was the result of three main sets of activities.

OPERATING ACTIVITIES

Cash provided by operating activities contributed \$179.1 million in negative cash flow, down from a positive \$13.0 million in 2001-2002. In that year, the Corporation received significant sums from certain foreign customers for investment until called upon to service export projects. These sums were returned to the foreign customers this year. Normally, CCC's annual cash flow from operations is negative, because of the payment policies in its Defense Production Sharing Arrangement (DPSA) business. Under this program, the Corporation pays Canadian exporters in 30 days from receipt of invoice irrespective of when it receives payment from the U.S. Government.

INVESTING ACTIVITIES

The profile of cash provided by investing activities was similarly influenced by large investments on behalf of foreign customers in 2001-2002, with a redemption of securities in 2002-2003 at the request of the foreign customers. The interest generated from these monies accrued to the foreign parties' benefit. The Corporation also spent \$1.0 million in the acquisition of its new information technology system.

FINANCING ACTIVITIES

Cash provided by financing activities amounted to \$20.0 million for the year ended March 31, 2003, compared to \$20.5 million for 2002. Although the amount was the same year-over-year, this occurred for quite different reasons. In the year ending March 31, 2001, the Government of Canada provided a \$10-million loan to the Corporation. The following year, the Government decided to strengthen the Corporation's financial position and provided increased operating appropriations and a capital infusion following the repayment of the loan.

Comparison with 2002-2003 to 2006-2007 Corporate Plan

INCOME STATEMENT

The Corporation exceeded its commercial trading transaction revenue target of \$1.1 billion by \$124 million, as more deliveries were made by Canadian exporters than projected. As mentioned earlier, the Corporation surpassed its \$5.4-million target for fee-for-service revenues, generating \$7.1 million in its first year of implementation. This led to a positive variance in its gross margin results. Net interest revenue results were greater than planned, as management was cautious in the utilization of its new commercial borrowing facility, thus minimizing interest charges. Unfortunately, the Corporation posted a significant foreign exchange translation loss, due to the rapid appreciation of the Canadian dollar vis-à-vis the U.S. dollar. This was not foreseen at the time of development of the 2002-2003 Corporate Plan.

Additional contract and related costs exceeded the expected level (based on historical trends) by \$730,000, reflecting one contract dispute. Administrative expenditures were greater than planned, given higher than expected use of PWGSC services and as staff received incentive payment plan awards. Amortization charges were also higher than budget as approximately \$1 million more was spent on the computer system's configuration than originally planned.

BALANCE SHEET AND CASH FLOW

The Corporation's total assets were slightly greater than planned (\$419 million vs. \$357 million) due to changes in the Corporation's contract portfolio and greater receivables from foreign clients, as of March 31, 2003. The Corporation had a lower cash position than planned, as a result of variances in payment flows in its operating activities. Notwithstanding this negative impact, the Corporation was able to minimize access to its operating line of credit compared to budget, as a result of careful cash management.

Looking Ahead Five Years

CCC's Corporate Plan for 2003-2004 to 2007-2008 identifies the objectives and strategies the Corporation will pursue to fulfil its mandate of facilitating trade. CCC will continue to work towards its strategic goal of becoming financially self-sufficient in its non-DPSA programs. For 2003-2004, the Corporation has developed a fee-for-service target of \$6.0 million. Although this target was significantly surpassed this year, it was established before the current results were available.

In response to a growing number of companies asking for CCC's support for more complex projects with an overseas construction component, CCC is increasing its focus in this area. A shift toward these projects will have a positive impact on the Corporation's finances because they involve extensive pre-contract work, which under the Corporation's fee-for-service policy is chargeable as the work is performed.

The Corporation's total assets and liabilities are expected to decline from \$419 million to \$383 million (assets) and from \$379 million to \$341 million (liabilities) due to the changing mixture of the Corporation's contract portfolio even though the size of the portfolio will remain the same. The Corporation's cash position is projected to increase to \$53 million next year due to improving contract payment flow in its operating activities.

Net income is planned at \$154,000, about \$50,000 higher than 2002-2003, as increased revenues from fees and interest income offset increases in interest expense and administrative expenditures.

Five-Year Historical Review For the year ended March 31 (in thousands of dollars)

	1998	1999	2000	2001	2002
Revenues	1999	2000	2001	2002	2003
Commercial trading transactions	790,686	901,465	993,569	1,209,524	1,242,149
Interest income, net of interest expense	1,650	2,256	3,445	2,517	1,365
Foreign exchange gain (loss)	1,040	(728)	1,855	434	(2,772)
Parliamentary appropriations	10,443	12,548	13,869	15,831	16,631
Expenses	1998	1999	2000	2001	2002
	1999	2000	2001	2002	2003
Cost of commercial trading transactions	788,709	897,726	989,216	1,204,227	1,234,117
Additional contract and related costs:					
Additional contract costs	1,057	3,345	2,876	397	1,990
Legal fees and other costs	293	216	155	2,146	305
Administrative expenses:					
Services provided by Public Works and Government Services Canada	3,083	3,700	4,155	5,507	5,937
Other administrative expenses	10,027	10,363	14,553	13,500	14,917
Net results of operations	650	191	1,783	2,529	107

2. RISK MANAGEMENT

Given its mandate to facilitate international trade and the commercial environment in which it operates, CCC is subject to a wide variety of risks and uncertainties, both external and internal to the Corporation.

CCC has a comprehensive Risk Management Framework that encompasses a number of risk factors that the Corporation faces in its day-to-day operations. The extent of the Corporation's ability to embrace these risks is determined by its risk tolerance policy, which is set by the Board of Directors. In establishing the Corporation's risk tolerance policy, the Board takes into account the Corporation's public policy mandate and financial requirements.

External Risks

As noted above in the review of Operations, the Corporation's sales prospects are subject to prevailing conditions in international economic and financial markets, and in particular to those factors influencing public procurement.

Canadian economic conditions, including the exchange rate, influence the competitive position of Canadian exporters and thus the demand for CCC's services. Interest rates and credit conditions affect the Corporation's overall risk exposure as well, via the balance sheet health of Canadian exporters. In 2002-2003, the rising Canadian dollar decreased the reporting size of the Corporation's assets and liabilities, of which a significant portion originate in U.S. dollars. Changes in interest rates in both Canada and the U.S. also impact CCC's treasury operations, described below.

Internal Risks

The Corporation has recognized that there are a number of internal factors and policies that can impact the effectiveness of its operations and, ultimately, its capacity to respond to the needs of its clients. Key risk areas include market awareness and stakeholder relations, pricing, personnel, technology and information systems, and organizational structure and values. Regular monitoring of these risks occurs through the Corporation's management structure and interactions with its Board, and through a comprehensive corporate planning process.

Increased awareness of the Corporation among clients, new and old, is key to increased international trade facilitation by the Corporation, and to support the new fee-for-service policy. It is being delivered through increased funding of marketing and promotion activities. Positive relations with stakeholders are encouraged and monitored through CCC's management committee structure.

The introduction of a fee-for-service policy successfully generated significant income growth in its first year, and to ensure the Corporation's revenue flow is not at risk, the policy will be reviewed next year to ensure it continues to adapt to market conditions.

The Corporation increased its training resources so employees will receive ongoing training in international trade with particular focus on contract structuring, negotiation, and management. CCC's new information technology system will improve the Corporation's business efficiency and enable more eBusiness. A long-term technology development plan is being developed to ensure that the proper level of funding is maintained and to minimize any disruption to the existing work environment.

The Corporation has a number of policies and procedures in place, as well as a long-term internal audit plan, to identify and correct internal control weaknesses and systems deficiencies, covering the areas of human resources, technology, and other organizational factors.

Transaction Risks

The Corporation is sensitive to the need to protect taxpayers by effectively mitigating and managing risk in its business transactions, specifically its export contracts and other financial activities. A measure of its success may be seen in the performance target "Additional contract costs as a percentage of business volumes" on page 13.

CONTRACT RISK

As CCC is an organization that signs and takes responsibility for about \$1 billion in export contracts each year, contract risk is a critical concern for the Corporation. CCC takes a proactive role in the development of the foreign contract and uses the contract negotiating process to mitigate risk. CCC staff assesses the international transaction as a whole and identifies the roles and responsibilities needed for successful completion of the project, and works with the buyer and the Canadian supplier to secure a mutually beneficial contract.

Among the risk mitigation issues that CCC addresses in the contract are: timing of foreign payment flows to exporter production cash flows, location and basis of acceptance of the goods or services, location and basis for dispute resolution, and timing of foreign party contractual obligations versus the exporter's. CCC passes on the obligations of the foreign contract to the Canadian supplier via a back-to-back matching domestic contract.

PERFORMANCE RISK

Performance risk is the risk that the Corporation's supplier or suppliers (or the "exporter") may fail to supply goods and services to the foreign buyer consistent with the terms and conditions of the contract. Prior to entering into such contracts, the Corporation conducts an extensive due diligence review of the exporter's managerial, technical and financial capability and, as described above, the foreign contract.

In the case of DPSA projects and some others, this assessment is carried out on behalf of the Corporation by Public Works and Government Services Canada (PWGSC). Depending upon the results of this review, the Corporation may require additional assurance such as performance securities and/or contract modifications. If required, CCC may also facilitate cash flow improvement for the exporter through a financial institution.

FOREIGN CREDIT RISK

Foreign credit risk is the risk that the foreign party will not honour its obligation to pay for the goods and/or services under the contract. The Corporation has a foreign credit risk policy that determines the amount and extent to which it will entertain this risk on its own account. Specifically, it takes a Triple A-rated credit risk of foreign governments and commercial parties, and accepts commercial securities to back up customers' payment obligations where the credit rating is less, unless the Board has provided an exception. In all other cases, the foreign credit risk is the responsibility of the exporter, who often uses the financing and insurance services of Export Development Canada (EDC).

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the foreign currency under the contract fluctuates negatively against the Canadian dollar over the term of the contract. It is the Corporation's policy to pass through this risk to the Canadian exporter. The Corporation has entered into a partnership with the Toronto-Dominion Bank to offer foreign exchange services to exporters under its contracts at favourable rates.

Implementation Risks

Following contract signing, the Corporation actively monitors and manages the risks associated with transactions post-commitment to ensure that issues are identified and addressed as early as possible. During 2002-2003, the Corporation's internal auditor undertook a comprehensive review of post-contract arrangement practices, policies and organization. Follow-up action will be taken to respond to issues raised, which will give rise to certain changes in internal management processes to improve efficiencies. Where transactions are evaluated as a probable loss situation, a team of employees from Operations, Financial Risk Analysis Services and Legal Services is formed to organize action plans to mitigate loss to the extent possible.

Allocation of Responsibilities

To properly assess the risk inherent in each international trade transaction, the following groups within the Corporation have been allocated responsibility for certain categories of risk:

- 1) Operations is responsible for evaluating and assessing the supplier's technical and managerial capability, and for assessing, developing and signing contracts
- 2) Financial Risk Analysis Services is responsible for evaluating and assessing the supplier's financial capability, project cash flow, foreign credit risk and foreign exchange risk
- 3) Legal Services unit is responsible for evaluating and assessing contractual risk.

Each individual in these groups has a delegated approval authority based on relevant expertise and experience. With some exceptions, each transaction requires the approval of all three groups. Significant transactions that pose special risk, such as overseas construction projects, require Board of Directors' approval.

The Corporation's Policy and Planning Unit is responsible to assist Operations to ensure all trade transactions adhere to export permit requirements, Government of Canada trade sanctions, "capital" project guidelines (governing overseas construction projects), environmental and Corporate Social Responsibility requirements.

Other Business Risks

In addition to risk related to specific export transactions, the Corporation is exposed to risks related to its corporate financial or treasury operations. These include the risk of financial loss arising from movements in interest and foreign exchange rates, appropriateness of the investment instruments and the financial institutions holding the Corporation's money, as well as (liquidity) risk of insufficient funds to address corporate obligations. Treasury management policies approved by the Audit Committee of the Board have been put in place to minimize these risks, including the currencies and types of investment instruments it uses. For 2003-2004, the Corporation will invest its cash balances in Canadian dollars, to take advantage of favourable interest rates and eliminate its exposure to foreign exchange loss. The treasury unit also reports on a regular basis on the credit status of the financial institutions holding its cash.

In terms of the risk becoming illiquid, most of the Corporation's transactions outside the U.S. are structured to avoid this risk, as the exporter normally receives payment only after prior payment to CCC by the foreign buyer. Under the DPSA with the U.S., however, CCC may pay its supplier before receiving payment from the customer. The Corporation has access to lines of credit up to \$40 million with a Canadian financial institution to address liquidity requirements if required.

Risk Capital Allocation

The Corporation allocates its available risk capital between its performance risk obligations and its foreign credit risk obligations based on limits imposed by the Board of Directors. The utilization status of its risk capital is reported to the Board of Directors at each meeting.

Performance risk exposures are further subdivided into two categories: 1) exposures that fit within normal risk tolerance parameters and 2) exposures that are above normal risk and have been allocated to the Corporation's Small and Medium-sized Enterprise (SME) Risk Fund.

SMEs typically tend to be weaker than larger companies in one or all of CCC's principal areas of due diligence review: financial, technical, and managerial capacity. As noted above, CCC takes a hands-on approach to addressing these risks, notably through the negotiation of the foreign contract. However, in some cases, the Corporation is unable to completely mitigate all of the project risks, which results in some residual exposure to the Corporation, and consequently an inability to participate in a transaction under CCC's normal risk tolerance parameters.

The SME Risk Fund enables the Corporation to participate in some of these higher-risk transactions, where the exposure can be quantified and a corresponding risk premium can be charged, over and above CCC's normal fee-for-service. In the future, it is planned to increase the limits of the Fund significantly, based on the Corporation's experience to date and increased equity capital.

The Financial Risk Analysis Services Unit of the Corporation regularly monitors the Corporation's risk exposure, and based on past and current transactional experience and the current domestic and foreign market environments, updates the Corporation's risk capital allocation ratios accordingly. It is management's responsibility to operate within the portfolio risk capital allocation limits established by the Board. Any exceptions to limits require specific Board approval.

Financial Statements and Notes

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditor has full and free access to the Audit Committee to discuss the results of her work and to express her concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing her report thereon.



Douglas Patriquin
President



Paul J. Thoppil, CA
Vice-President,
Risk and Financial Services

Ottawa, Canada
May 30, 2003

AUDITOR'S REPORT

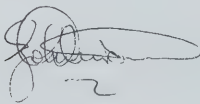
TO THE MINISTER FOR INTERNATIONAL TRADE

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2003 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 2003

Balance Sheet

As at March 31 (in thousands of dollars)

	2003	2002
ASSETS		
Cash and short-term deposits (Note 4)	\$ 31,063	\$ 92,123
Segregated investments (Note 5)	-	101,895
Accounts receivable (Note 6)	233,664	211,027
Receivable from the Government of Canada	107	13,431
Advances to Canadian exporters	40,076	61,713
Progress payments to Canadian exporters	111,412	192,024
	416,322	672,213
Capital assets (Note 7)	2,986	2,550
	\$ 419,308	\$ 674,763
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 217,938	\$ 242,731
Loan from the Government of Canada (Note 8)	-	10,000
Advances from foreign customers	51,186	183,471
Progress payments from foreign customers	104,793	191,497
Provision for additional contract and related costs (Note 11)	3,551	5,406
	377,468	633,105
Employee severance benefits	1,063	988
	378,531	634,093
Contingencies (Note 12)		
EQUITY OF CANADA		
Contributed surplus (Note 1)	28,000	28,000
Retained earnings	12,777	12,670
	40,777	40,670
	\$ 419,308	\$ 674,763

The accompanying notes are an integral part of the financial statements.

Approved:



Chair, Board of Directors



Chair, Audit Committee

Statement of Operations and Retained Earnings

For the year ended March 31 (in thousands of dollars)

2003

2002

REVENUES

Commercial trading transactions (<i>Note 13</i>)	\$1,242,149	\$1,209,524
Less: Cost of commercial trading transactions	1,234,117	1,204,227
Gross margin	8,032	5,297
Net interest income	1,365	2,517
(Loss) gain on foreign exchange	(2,772)	434
Net Revenues	6,625	8,248

EXPENSES

Additional contract and related costs	2,295	2,543
Administrative expenses (<i>Note 14</i>)	20,854	19,007
Total expenses	23,149	21,550
Net results of operations before Parliamentary appropriation	(16,524)	(13,302)
Parliamentary appropriation (<i>Note 16</i>)	16,631	15,831
Net results of operations	107	2,529
Retained earnings at beginning of year	12,670	10,141
Retained earnings at end of year	\$ 12,777	\$ 12,670

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

For the year ended March 31 (in thousands of dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from foreign customers	\$ 993,260	\$ 1,294,069
Interest received	1,365	2,410
Fees for service and other income received	7,264	5,474
Payments to Canadian exporters	(1,160,507)	(1,269,904)
Administrative payments	(20,485)	(19,053)
Cash (used in) provided by operating activities	(179,103)	12,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,035)	(2,243)
Purchases of short-term deposits	-	(101,895)
Redemptions of short-term deposits	101,895	115,504
Cash provided by investing activities	100,860	11,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Parliamentary appropriation- operating	21,955	10,545
Parliamentary appropriation- contributed surplus	8,000	-
Loan (repaid) received from the Government of Canada	(10,000)	10,000
Cash provided by financing activities	19,955	20,545
Effect of exchange rate changes on cash and short-term deposits	(2,772)	434
Increase (decrease) in cash and short-term deposits	(61,060)	45,341
Cash and short-term deposits at beginning of year	92,123	46,782
Cash and short-term deposits at end of year	\$ 31,063	\$ 92,123

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 2003

1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation" or "CCC") was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign customers, foreign governments, international organizations, or private sector buyers, wish to purchase products and services from Canada through the Canadian Government. Contracts are made with these foreign customers and the Corporation enters into corresponding supply contracts with Canadian exporters.

Parliament has provided the Corporation with \$28 million as contributed surplus. Annually, the Corporation's operations are funded primarily through a combination of parliamentary appropriations, interest income, cost recovery, fees for service and receivable discounting revenues.

The Corporation is not subject to the provisions of the *Income Tax Act*.

On April 19, 2002, the *Canadian Commercial Corporation Act* was amended. The amendments to the Act permit the Corporation to borrow from the Consolidated Revenue Fund or other sources for an amount not to exceed \$90 million (previously \$10 million), to charge fees for services, and to separate the position of Chairman and President.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

(a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant management estimates are the provision for additional contract costs and the employee severance benefits. Actual results could differ from those estimates.

(b) Contracts

The Corporation records its commercial trading revenues, and related costs, when a delivery has taken place thus passing title to the foreign customer, or, in the case of progress payments, upon acceptance of progress billings from Canadian exporters for work performed.

Progress payments, where allowed, represent payments from foreign customers and to Canadian exporters on contracts associated with the work performed on a contract leading up to delivery. Usually these payments represent up to 75 percent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and to Canadian exporters represent a down payment made at the outset of the contract before any work has been performed.

Prior to the amendment of the *Canadian Commercial Corporation Act* on April 19, 2002, the Corporation was only allowed to recover costs directly incurred upon securing specific international contracts. Amounts recovered on international contracts signed prior to this date are recognized in commercial trading revenues as earned when:

- (1) deliveries have been made by the Canadian exporter; or
- (2) substantial work has been performed by the Canadian exporter in the case of progress payments.

Upon the coming into force of this amendment to the Act, the Corporation was permitted to charge commercial fees for services. Commercial fees generated on international contracts signed on or subsequent to April 19, 2002, are recognized in commercial trading revenues when services are delivered.

Receivable discounting revenues are revenues generated by the Corporation based on the difference between the amount the Corporation pays to the Canadian exporter and the amount the Canadian exporter originally billed the Corporation.

Additional contract and related costs are costs incurred primarily as a result of Canadian exporters failing to fulfil their obligations to the Corporation and are determined on a contract-by-contract basis, together with associated legal and other costs. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate.

Working capital is maintained in currencies other than Canadian dollars to facilitate cash flows between foreign customers and Canadian exporters.

(d) Cash and short-term deposits

Cash and short-term deposits includes cash, demand deposits and temporary investments, maturing in less than three months from acquisition date.

(e) Capital assets

Capital assets, primarily costs associated with the design and development of information systems are recorded, when significant, after technological feasibility is established. These capital assets are amortized on a straight-line basis over the estimated useful life of five years.

(f) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed capital are recorded as funding in the year for which they are appropriated, except as follows. Appropriations restricted by legislation and related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of capital assets are deferred and amortized on the same basis as the related asset.

(g) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are 2.14 times the employees' contributions on account of current service on amounts of salaries below \$100,000 annually. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(h) Employee severance benefits

Employees of the Corporation are entitled to specified severance benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for employee severance benefits is estimated by management based on current entitlements and is recorded in the accounts as the benefits accrue to employees.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and short-term deposits, accounts receivable, receivable from the Government of Canada, advances to Canadian exporters, progress payments to Canadian exporters, accounts payable and accrued liabilities, advances from foreign customers and progress payments from foreign customers, since they have short maturities, is equivalent to their carrying amounts.

4. CASH AND SHORT-TERM DEPOSITS

As at March 31, 2003, cash and short-term deposits include:

Year ended March 31 (in thousands)

	2003		2002	
	Original Currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	15,448	\$15,448	17,407	\$17,407
U.S. dollars	7,035	10,326	46,252	73,734
Australian dollars	4,537	4,031	422	358
EURO	479	767	-	-
British pound sterling	164	380	147	334
Eastern Caribbean dollars	202	111	487	290
		\$31,063		\$92,123

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2003, the average term to maturity of short-term deposits was 3 days (2002 - 3 days). The overall portfolio yield at March 31, 2003 was 2.69% (2002 - 1.92%). Cash and short-term deposits are recorded at cost which approximates fair value.

Of the cash and short-term deposits, \$20,007,000 (2002 - \$14,889,000) represents funds received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. SEGREGATED INVESTMENTS

The Corporation holds significant advances from foreign customers or Canadian exporters which, upon demand by one of the contractual parties, are segregated and invested separately from the Corporation's cash and short-term deposits. In these instances, interest earned is credited to the benefit of the respective foreign customer or Canadian exporter.

Segregated investments are short-term deposits in Canadian Schedule A or B banks and are made up of the following:

Year ended March 31 (in thousands)

	2003			2002		
	Canadian dollars	Days to maturity	Yield	Canadian dollars	Days to maturity	Yield
Investment A	-	-	-	\$2,764	25	1.65%
Investment B	-	-	-	99,131	2	2.75%
				\$101,895		

6. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except for accounts payable to certain small-medium enterprises with contracts signed prior to January 2001. Where these contracts have not been completed, related accounts payable are paid within 15 days.

7. CAPITAL ASSETS

Year ended March 31 (in thousands of dollars)

	2003			2002
	Cost	Accumulated Amortization	Net book Value	Net book Value
Information systems	\$3,583	\$597	\$2,986	\$2,550

Included in administrative expenses is \$597,000 (2002- Nil) of amortization.

8. LOAN FROM THE GOVERNMENT OF CANADA

Prior to April 19, 2002, the Corporation had authority to draw loans from the Consolidated Revenue Fund, subject to Governor-in-Council and Minister of Finance approvals, in amounts up to a total of \$10 million as required to supplement its working capital.

During the year ending March 31, 2002, the Corporation was able to borrow amounts with approval from the Minister of Finance for up to 120 days at the Consolidated Revenue Fund lending rate to Crown corporations which equals the latest available interest rate on comparable term Treasury bills plus 1/8 of 1%. Of the \$10 million outstanding as at March 31, 2002, \$1.5 million was paid on April 26, 2002 bearing an interest rate of 2.12% and \$8.5 million was paid on July 21, 2002 bearing an interest rate of 2.28%.

9. DEMAND OPERATING CREDIT FACILITY

On August 16, 2002, the Corporation opened a revolving credit facility providing access to funds in the amount of \$40 million Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2003, there were no draws on this line of credit.

10. CONTRACTUAL OBLIGATIONS AND RISK MANAGEMENT

(a) Contractual obligations and indemnities

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2003, the total contract value remaining to be fulfilled approximates \$2.0 billion (2002- \$2.3 billion).

Under the Progress Payment Program, the Corporation indemnifies participating banks for amounts they have advanced to Canadian exporters. The Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2003 is \$11,225,000 (2002 - \$6,050,000).

Under a specific series of contracts, the Corporation also indemnifies a bank for amounts it has advanced to Canadian exporters. The Corporation has access to a number of commercial securities should the foreign party fail to repay amounts owed. The amount of outstanding indemnities as of March 31, 2003 is \$39,470,000 (2002 - \$45,773,000).

(b) Risk management

In terms of foreign customer credit risk, the Corporation generally extends open account terms to parties with a credit rating of at least AAA, and seeks security where the rating falls below this threshold.

To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally entered into in the same currency. The Corporation uses this and other techniques to effectively transfer the currency risk to the Canadian exporter.

11. PROVISION FOR ADDITIONAL CONTRACT AND RELATED COSTS

The Corporation may incur additional contract and related costs should Canadian exporters not fulfil the terms of their contracts. The Corporation has recorded a provision of \$3,551,000 as of March 31, 2003 (2002 - \$5,406,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

12. CONTINGENCIES

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

Amounts payable, if any, will be recorded in the year in which they can be determined.

13. COMMERCIAL TRADING TRANSACTIONS

Commercial trading transactions arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, which include governments, international agencies and other buyers throughout the world, were distributed as follows:

Year ended March 31 (in thousands of dollars)

	2003	2002
U.S. government and other buyers	\$943,930	\$908,383
Other foreign governments and buyers	282,090	270,683
United Nations agencies	16,129	30,458
	\$1,242,149	\$1,209,524

Commercial trading transactions are comprised of contract billings of \$1.2 billion (2002- \$1.2 billion) and fee for services and other income of \$8,032,000 for the year ended March 31, 2003 (2002- \$5,297,000).

Commercial trading transactions are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2003 amounted to \$952 million (2002 - \$1.2 billion).

14. ADMINISTRATIVE EXPENSES

Administrative expenses were distributed as follows:

Year ended March 31 (in thousands of dollars)

	2003	2002
Workforce compensation	\$9,273	\$8,691
Travel and hospitality	1,122	1,127
Telecommunications, courier, translations	348	361
Marketing and promotion	1,026	679
Human resource training and other initiatives	451	329
Rent	872	924
Software/ hardware and support	729	862
Public Works and Government Services Canada fee for service	5,937	5,507
Amortization	597	-
Other expenses	499	527
	\$20,854	\$19,007

15. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost.

For the year ended March 31, 2003 the cost of these services amounted to \$5,937,000 (2002 - \$5,507,000) and is included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is not practicable to determine the cost of these services. Accordingly, the value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice provides legal services to the Corporation and represents it in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2003 the cost of legal fees and expenses in the amount of \$364,000 (2002 - \$276,000) are included in administrative expenses, and in the amount of \$305,000 (2002 - \$396,000) are included in additional contract and related costs.

As a result of these related party transactions, the amounts due from and to these parties are nil (2002 - \$9,000) and \$651,000 (2002 - \$370,000) and are included in accounts receivable and accounts payable respectively.

16. PARLIAMENTARY APPROPRIATIONS

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of \$16,631,000 (2002- \$23,831,000). A portion of the amount authorized in the year 2002, \$8,000,000, was for equity purposes and thus was accounted for as contributed surplus.

17. LEASE COMMITMENTS

Future minimum payments by fiscal year on operating leases for premises are as follows:

2003-04	\$905,000
2004-05	789,000
2005-06	396,000
	<hr/>
	\$2,090,000
	<hr/>

18. COMPARATIVE FIGURES

Certain 2001-02 figures have been reclassified to conform with the current year presentation.

CCC

Directors

Alan R. Curleigh
Chairman of the Board
Canadian Commercial Corporation

Wendy Morris
Chairman of the Board
Morris Industries
Edmonton, Alberta

Louis-Marie Beaulieu, FCA *
Chairman of the Board and
Chief Executive Officer
Group Desgagnés Inc.
Québec, Québec

Peter M. Wright
Chairman
Patterson Palmer
Moncton, New Brunswick

John Banigan* +
Assistant Deputy Minister
Industry Sector, Industry Canada
Ottawa, Ontario

John Gero
Assistant Deputy Minister
International Business and
Chief Trade Commissioner
Foreign Affairs and
International Trade Canada
Ottawa, Ontario

Andrew Saxton *
Chairman
King George Financial Corporation
Vancouver, British Columbia

Amélia Salehabadi
President
Groupe conseil Salehabadi Melaçon
Montréal, Québec

David W. Stapley +
President
DRS Flight Safety and Communications
Carleton Place, Ontario

Douglas Patriquin
President
Canadian Commercial Corporation

* Member of Audit Committee
+ Member of Compensation Committee



CCC

Officers

J. Hugh O'Donnell
Executive Vice-President
Business Development and Operations

Sharon Fleming
Vice-President
Corporate Services

Tamara Parselle-Rytkin, GC
Corporate Counsel
and Corporate Secretary

Paul J. Thoppil, CA
Vice-President
Risk and Financial Services

Douglas Patriquin
President



In 2002-2003, CCC strengthened and expanded its network of alliances with almost 2,000 exporters and 106 international customers within national governments and international agencies, as well as the private sector in 31 countries around the world.

Canadian exporters contracting through CCC in 2002-2003

3M Canada Inc. Brockville, Ontario	CSI Gear Corporation Brampton, Ontario	FTG-Edgelit/FTG-Quantaflex Toronto, Ontario
ABB BOMEM Inc. Québec, Québec	CTF Systems (2001) Inc. Port Coquitlam, British Columbia	FTS Fire Training Systems Ltd. Napane, Ontario
ABB Inc. Saint-Laurent, Québec	CYMC Corp. Concord, Ontario	Finora Canada Ltd. Surrey, British Columbia
ACCESSAIR Systems Inc. Ville Sainte-Catherine, Québec	Calian Technology Ltd. Kanata, Ontario	Gallium Software Inc. Ottawa, Ontario
Accucaps Industries Windsor, Ontario	Cametoid, Ltd. Whitby, Ontario	General Dynamics Canada Ltd. Nepean, Ontario
Acro Aerospace Inc. Richmond, British Columbia	CanAmera Foods Montréal, Québec	General Dynamics Canada Ltd. Calgary, Alberta
Active Gear Co. of Canada Ltd. Concord, Ontario	Canada Allied Diesel Co. Ltd. Lachine, Québec	General Dynamics Land Systems - Canada Corporation London, Ontario
Acton International Inc. Acton Vale, Québec	Canadian Bank Note Company Ltd. Ottawa, Ontario	General Kinetics Engineering Corporation Brampton, Ontario
Air Data Inc. Ville Mont Royal, Québec	Canadian Helicopters Limited Les Cedres, Québec	General Motors of Canada Limited London, Ontario
Air Labrador Goose Bay Labrador, Newfoundland	Cargill Ltd. Clavet, Saskatchewan	General Switchgear & Controls Ltd. Vaughan, Ontario
Aircraft Appliances and Equipment Ltd. Bramalea, Ontario	Carleton Life Support Technologies Ltd. Mississauga, Ontario	Genix Technology Vancouver, British Columbia
Aklak Air Inc. Inuvik, Northwest Territories	Casavant Frères Ltée. St. Hyacinthe, Québec	Goodrich Control Systems Ltd. Montréal, Québec
Almedic Limited St. Laurent, Québec	Certicom Corporation Mississauga, Ontario	Goodrich Landing Systems Services Burlington, Ontario
Aluminum Foundry & Pattern Works Ltd. Dorval, Québec	Chemac Industries Inc. Vernon, British Columbia	Goodrich Landing Systems Services Oakville, Ontario
Anachemia Canada Inc. Lachine, Québec	Clientronics Inc. Edmonton, Alberta	Hanover Kitchens Inc. Hanover, Ontario
Armet Armored Vehicles Canada Concord, Ontario	Com Dev Ltd. Cambridge, Ontario	Hewlett-Packard (Canada) Limited Mississauga, Ontario
Array Systems Computing Inc. Toronto, Ontario	Communications & Power Industries Canada Inc. Georgetown, Ontario	Honeywell ASCa Inc. Mississauga, Ontario
ArvinMeritor Ride Control Products, Inc. Toronto, Ontario	Comprehensive Care International Toronto, Ontario	Honeywell Aerospace Inc. St. Laurent, Québec
Atlantis Systems International Inc. Brampton, Ontario	DAC Aviation International Ltd. Montréal, Québec	Honeywell Limited Ottawa, Ontario
Automatic Coating Ltd. Toronto, Ontario	DRS Technologies Carleton Place, Ontario	Hurley Slate Works Company Inc. Manuels, Newfoundland
Banner Pharmacaps (Canada) Ltd. Olds, Alberta	DY 4 Systems Inc. Kanata, Ontario	Héroux-Devtek Inc. Longueuil, Québec
Barer Engineering Co. Montréal, Québec	Davie Industries Inc. Lévis, Québec	ICN Canada Ltd. Montréal, Québec
Baultar Composite Inc. Windsor, Québec	Davis Engineering Ltd. Ottawa, Ontario	IMP Group Limited Halifax County, Nova Scotia
Beavers Dental Morrisburg, Ontario	Department of National Defence Hull, Québec	IMP Group Limited Halifax, Nova Scotia
Best Cooking Pulses Inc. Rowatt, Saskatchewan	Dieco Technologies Limited Brampton, Ontario	IMP Group Limited Enfield, Nova Scotia
Bombardier Inc. Mirabel, Québec	Diemaco Inc. Kitchener, Ontario	IMT Corporation Ingersoll, Ontario
Bombardier Inc. Millhaven, Ontario	Donlee Precision Toronto, Ontario	IMW Industries Ltd. Chilliwack, British Columbia
Bombardier Inc. Downsview, Ontario	Dorothea Knitting Mills Ltd. Toronto, Ontario	Indal Technologies Inc. Mississauga, Ontario
Bradley Air Services Limited Carp, Ontario	ELCAN Optical Technologies Midland, Ontario	Institut National d'Optique Sainte-Foy, Québec
Bristol Aerospace Limited Winnipeg, Manitoba	ELI Eco Logic International Inc. Rockwood, Ontario	Interactive Visualization Systems Inc. Fredericton, New Brunswick
Burden's Services Ltd. Goose Bay, Newfoundland	Eagle-Picher Energy Products Corporation Surrey, British Columbia	International Civil Aviation Organization Montréal, Québec
C2 Logistics Inc. Ottawa, Ontario	Excalibur Systems Limited Kanata, Ontario	International Code Services Inc. Aurora, Ontario
CAE Inc. Saint Laurent, Québec	Expro Technologies Inc. St. Timothée, Québec	International Thermal Research Ltd. Richmond, British Columbia
CMC Electronics Inc. Ville Saint-Laurent, Québec	FAG Bearings Limited Stratford, Ontario	Iso Tech Design Inc. Saint-Laurent, Québec
CMC Electronics Inc. Kanata, Ontario		

K.P. Collection Ltd.
Vancouver, British Columbia

Kasten Chase Applied Research
Mississauga, Ontario

Koss Machine and Tool Company
Brampton, Ontario

LIOH Inc.
Mont Royal, Québec

LNS Systems Inc.
Ville St. Laurent, Québec

Le Groupe Tecnum Inc.
Montréal, Québec

Liffting Industries Inc.
Woodbridge, Ontario

Lockheed Martin Canada
Kanata, Ontario

Lunny Communications Group
Vancouver, British Columbia

MDG Fog Generators
Montréal, Québec

MDS Aero Support Corporation
Ottawa, Ontario

MMISTMobility Integrated Systems Technology Inc.
Nepean, Ontario

MTU Maintenance Canada Ltd.
Richmond, British Columbia

MacDonald Dettwiler Space and Advanced Robotics Ltd.
Brampton, Ontario

MacDonald Dettwiler and Associates Ltd.
Richmond, British Columbia

Magma Communications Ltd.
Nepean, Ontario

Magneto-Inductive Systems Limited
Head of Jeddore, Nova Scotia

Mandate Erectors & Welding Ltd.
Big River, New Brunswick

Marathon Watch Company Limited
Richmond Hill, Ontario

Mark Blevis
Ottawa, Ontario

Mecair Inc.
Pointe Claire, Québec

Med-Eng Systems Inc.
Ottawa, Ontario

Menasco Aerospace
Oakville, Ontario

Messier-Dowty Inc.
Ajax, Ontario

MetalCraft Marine Inc.
Kingston, Ontario

Micro Optics Design Corporation
Moncton, New Brunswick

Mitrade International Inc.
Montréal, Québec

Nasittuq Corporation
Ottawa, Ontario

Natural Resources Canada
Ottawa, Ontario

Nav-Aids Limited
Montréal, Québec

Navigation Aeronav International Inc.
Pointe Claire, Québec

Neptec Design Group Limited
Kanata, Ontario

Nordic Systems Inc.
Mississauga, Ontario

Northrop Grumman Canada Corporation
Toronto, Ontario

Northstar Aerospace (Canada) Inc.
Milton, Ontario

O'Dell Engineering
Cambridge, Ontario

OceanWorks International Inc.
North Vancouver, British Columbia

Oculus Info Inc.
Toronto, Ontario

Ontario Medical Supply Ltd.
Ottawa, Ontario

Optech Inc.
North York, Ontario

Orenda Aerospace Corporation
Mississauga, Ontario

Orgues Létourneau Ltée.
Saint-Hyacinthe, Québec

Patriot Forge Inc.
Brantford, Ontario

Pharmalab (1982) Inc.
Lévis, Québec

Pharmascience Inc.
Montréal, Québec

Poly-Pacific International Inc.
Edmonton, Alberta

Pratt & Whitney Canada Inc.
Longueuil, Québec

Precision Technology Ltd.
Cambridge, Ontario

Pro-Safe Fire Training System Inc.
Nobel, Ontario

Proceco Ltd.
Montréal, Québec

Professional Machine Service
Markham, Ontario

Protocol Resource Management Inc.
Aurora, Ontario

Purifics Environmental Technologies Inc.
London, Ontario

PyroGenesis Inc.
Montréal, Québec

Qvester Tangent Corporation
Sidney, British Columbia

Receiver General for Canada
Hull, Québec

Refrigerant Services Inc.
Darmouth, Nova Scotia

Refrigerative Supply
Burnaby, British Columbia

Remcor Brains Trust
Chambly, Québec

Remtec Inc.
Chambly, Québec

Robotsearch Software Inc.
Kanata, Ontario

Rolls-Royce Canada Limited
Lachine, Québec

Ron Verch
Chilliwack, British Columbia

Royal Building Systems (Cdn) Ltd.
Woodbridge, Ontario

SDV Logistics (Canada) Inc.
Ville St-Laurent, Québec

SED Systems Inc.
Saskatoon, Saskatchewan

SNC Technologies Inc.
Le Gardeur, Québec

Satlantic Inc.
Halifax, Nova Scotia

Scepter Corporation
Scarborough, Ontario

Schreiner Target Services Canada Ltd.
Medicine Hat, Alberta

Seaforth Engineering Group Inc.
Dartmouth, Nova Scotia

Sentinel Canada
Montréal, Québec

Serco Facilities Management Inc.
Goose Bay, Labrador, Newfoundland

Simunion
Le Gardeur, Québec

SkyWave Mobile Communications Inc.
Kanata, Ontario

Soheil Mosun Ltd.
Toronto, Ontario

Soucy International Inc.
Drummondville, Québec

Soucy Techno Inc.
Rock Forest, Québec

Spar Aerospace Limited
Mississauga, Ontario

Sparton Corp.
London, Ontario

Spirent Systems
Ottawa, Ontario

Standard Aero Ltd.
Winnipeg, Manitoba

Swiftsure Spatial Systems Inc.
Victoria, British Columbia

Teleflex Canada Limited Partnership
Richmond, British Columbia

Thermotex Therapy Systems Ltd.
Calgary, Alberta

Tokmakjian Limited
Milton, Ontario

Tokmakjian Limited
Concord, Ontario

TransMedico Inc.
Montréal, Québec

Ultra Electronics Tactical Communication Systems Inc.
Ville Saint Laurent, Québec

Uni-ram Corporation
Markham, Ontario

Unique Broadband Systems Inc.
Concord, Ontario

Unitron Industries Ltd.
Kitchener, Ontario

University of Alberta
Edmonton, Alberta

NUMBER OF CONTRACTED SUPPLIERS BY PROVINCE

ALBERTA	8
BRITISH COLUMBIA	20
MANITOBA	2
NEW BRUNSWICK	3
NEWFOUNDLAND	5
NOVA SCOTIA	7
NORTHWEST TERRITORIES	1
ONTARIO	106
PRINCE EDWARD ISLAND	1
QUÉBEC	59
SASKATCHEWAN	3
TOTAL	215

University of Calgary
Calgary, Alberta

Valcom Ltd.
Guelph, Ontario

Visual Insights Canada, Inc.
Toronto, Ontario

Volvo Motor Graders Limited
Goderich, Ontario

**Vulkan Harex Steelfiber
(North America) Inc.**
Brantford, Ontario

Vêtements Stenis Inc.
Le Gardeur, Québec

Wajax Industries Limited
Mississauga, Ontario

Walbar Canada
Mississauga, Ontario

Waltek Motor Trucks Inc.
Anjou, Québec

Weatherhaven Resources Ltd.
Burnaby, British Columbia

Wescam Inc.
Burlington, Ontario

West Heights Manufacturing
Kitchener, Ontario

Western Star Trucks Inc.
Kelowna, British Columbia

Wiebel Aerospace Inc.
Summerside, Prince Edward Island

Wire Rope Industries Ltd.
Pointe Claire, Québec

Woodward Group of Companies
Goose Bay, Newfoundland

Wright Environmental Management Inc.
Richmond Hill, Ontario

Customers contracting through CCC in 2002-2003

NON-USA

Angola

- United Nations World Food Programme

Argentina

- Consejo Federal De Inversiones

Australia

- Anglican Property Trust, Diocese of Sydney
- Director, Weapons and Vehicle Procurement
- Embassy of Australia

Austria

- Republik Österreich

Brazil

- Companhia Energetica Do Amazonas (CEAM)

Congo

- République Démocratique du Congo

Cuba

- AZUIMPORT
- Comercializadora ITH, S.A.
- Corporacion Financiera Azucarera, S.A.

Denmark

- Danish Army
- International Development and Research Centre
- Ministerie Van Defensie
- The Micronutrient Initiative

Ecuador

- Distribuidora Superior S.A.
- International Organization for Migration

Germany

- Bundesamt fuer Wehrtechnik und Beschaffung
- Rolls-Royce Deutschland Ltd. & CO KG

India

- Environment Canada

Ireland

- Floor Seasons PTY Ltd.

Italy

- Ministero Della Difesa

Kenya

- Government of Kenya

Kuwait

- Kuwait Ministry of Defense

Luxembourg

- Armée Luxembourgeoise

Malaysia

- Malaysian International Trading Corporation

Mexico

- Bombardier Concaril, S.A. de C.V.

Netherlands

- Royal Netherlands Airforce

Nigeria

- The National Boundary Commission of Nigeria

Norway

- OSLO POLITIDISTRIKT
- Royal Norwegian Navy

Panama

- Autoridad del Canal de Panama

Saudi Arabia

- Sultan Bin Abdulaziz Al-Saud Foundation

Senegal

- ASECNA

South Africa

- Technology Exploitation Centre Ltd.

Sweden

- Alvis Hägglunds AB
- Försvarets Materielverk
- SR Technics

Trinidad and Tobago

- Ministry of Health

United Kingdom

- British Aerospace (Operations) Limited
- Defence Clothing Integrated Project Team
- London Fire and Civil Defence Authority
- Ministry of Defence
- Rolls-Royce plc.
- Royal Air Force
- The Master and Fellows of Selwyn College

Zambia

- Central Board of Health, Republic of Zambia

USA

- Aberdeen Proving Ground Support Activity
- Anniston Army Depot
- Armament R&D Command Chemicals Ballistics
- Artco Contract Furnishing Inc.
- Boeing Aerospace Operations
- Bombardier Inc.
- CAMACO LLC
- Colt's Manufacturing Company Inc.
- Commonwealth of Australia
- Defense Logistics Agency
- Defense Supply Center Columbus
- Defense Supply Center Philadelphia
- Defense Supply Center Richmond
- Defense Supply Service
- Department of the Air Force

- Department of the Navy
- Directorate of Peninsula Contracting
- Ebbets Field Flannels
- Electronic Systems Center
- ESC-PKOP
- First Presbyterian Church
- Fleet & Industrial Supply Center
- Gordon & Ferguson of Delaware, Inc.
- Headquarters AFSOC/PKMZ
- Headquarters AMC/DOYAS
- Itochu Aviation Co. Ltd.
- Marine Corps Systems Command
- Maryland Procurement Office
- Military Sealift Command
- NASA - Johnson Space Center
- National Imagery & Mapping Agency
- Naval Air Systems Command
- Naval Air Warfare Center
- Naval Facilities Engineering Command
- Naval Inventory Control Point
- Naval Oceanographic Office
- Naval Sea Systems Command
- Naval Sea Systems Command
- Naval Surface Warfare Center
- Office of Naval Research
- Ogden Air Logistics Center
- Peabody Construction Company, Inc.
- Red River Army Depot
- Rolls-Royce Derby
- Space and Naval Warfare Systems Command
- St. Andrew United Methodist Church
- Suarez Corporation Industries
- Turner Construction Company
- U.S. Army Armament and Chemical Acquisition and Logistics Act
- U.S. Army Communications-Electronics Command
- U.S. Army Corps of Engineers
- U.S. Army Industrial Operations Command
- U.S. Army Robert Morris Acquisition Center
- U.S. Army Tank Automotive R&D Command
- U.S. Army Tank-Automotive and Armaments Command
- U.S. Army Topographic Engineering Center
- U.S. Department of Energy
- U.S. Department of the Interior
- U.S. Special Operations Command
- Wal-Mart
- Willard Marine, Inc.

Glossary

Additional contract costs:

Costs incurred by the Corporation to meet its contractual obligations to foreign buyers when suppliers are unable to meet their contractual commitment to CCC. These may include the cost of repurchase or the cost of compensation.

Advance payment:

Down payment made by the buyer at the outset of the contract, before any work has been performed.

Appropriations:

Funding CCC receives from the Government of Canada to manage U.S. DoD/NASA Prime Contracts.

Business volume:

Total value of contracts and amendments signed by the Corporation during the fiscal year with respect to export transactions to foreign buyers.

Capital project:

A project in which a significant portion of the work is performed by a Canadian exporter, or by its subcontractor, in a foreign country and/or the contract contains a significant supply risk associated with the long-term sale of commodities.

Clients:

Canadian exporters doing business through CCC.

Contract:

Legally binding agreement between the Corporation and Canadian exporters or foreign buyers, with respect to the supply of a product and/or service.

Contract amendment:

Variation to the original signed contract providing for additional or less work than the agreed-upon terms and conditions.

Contract billings:

The total amount the Corporation invoiced to foreign customers for the delivery of products and services.

Contract performance guarantee:

A government-backed assurance provided by the Corporation to the foreign buyer that, in the event of non-performance by a contracted supplier, CCC will maintain the integrity of the contract by means of compensation or identification of an alternate source of supply.

Contract risk:

Possibility that the terms and conditions of the contract may not be met by all parties to the contract.

Cost recovery:

Direct costs, such as travel expense and direct labour costs, recovered by the Corporation on a number of contracts.

Credit risk:

Possibility of a contract party failing to meet its financial/payment commitments.

Customers:

Foreign buyers doing business through CCC

Defense Production Sharing Arrangement (DPSA):

Agreement signed in 1956 between Canada and the United States to allow Canadian industry to compete with U.S. firms for defence contracts on a normal, commercial basis.

Fee-for-service:

Direct and indirect costs including risk premium and appropriate service fees charged to Canadian exporters or foreign buyers using CCC services.

Gain/loss on foreign exchange translation:

Gain/loss resulting from the movement in the exchange rate which affects the Canadian value of the Corporation's foreign exchange holdings.

Pre-shipment financing:

Financing required to cover direct costs incurred on a project at a stage before the exporter has generated a receivable.

Prime contractor:

CCC signs the international contract with the customer, guaranteeing that its terms and conditions will be met, and then issues a domestic contract to the Canadian supplier for the execution of the work.

Procurement agent:

CCC sources Canadian supply for international customers from Canadian companies.

Progress payments:

Payments from foreign customers and to Canadian exporters on contracts where the partial recoupment of costs associated with the work performed on a contract leading up to delivery is allowed.

Risk Management Framework:

The Corporation's Risk Management Framework combines the Board of Directors' directive on annual allowable losses and management's policies and practices related to operational risk mitigation.

Receivables Discounting Service:

Receivables Discounting Service provides to Canadian companies having contracts with CCC, access to immediate payments for their invoices at a reasonable financing rate. This allows these companies to meet their financial obligations without increasing their debt.

Unbundled services:

The International Prime Contractor Service has been broken apart to allow Canadian exporters to build a customized service package that meets their needs.

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